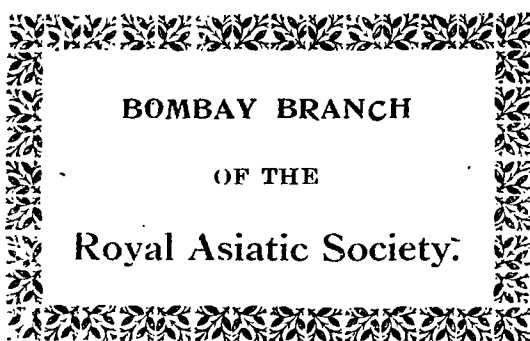




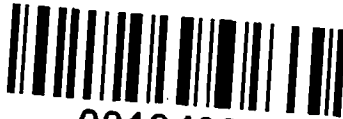
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FINANCIAL STATEMENT

BY

THE RIGHT HONORABLE JAMES WILSON.

FEBRUARY 18th 1860.

MR. PRESIDENT,—Sir, I feel that the ground over which it will be
luty to travel before I sit down will be so extensive that the fear
king your patience and my own powers will deter me from making
lengthened introductory remarks which may add to that danger.
Sir, I cannot but feel sensible that I owe some explanation, if not 5
an apology, for the position in which I now find myself. A year ago
I could have appeared more beyond the range of probability than
I should now be addressing the Legislative Council of India, so much
that since that time I have undergone two elections to the Imperial
Parliament: it was not till near the close of the last Session, when, as a 10
Member of the Government, it was proposed to me to undertake the
able but arduous and responsible—perhaps the more so honorable
these so arduous—duties which I have now to discharge. Sir, if for
moment I felt some reluctance in occupying so responsible an office, I
I may say it was from no consideration of a selfish or personal kind; 15
not deny that it was not without the greatest regret that I volun-
tarily renounced a career, for a time at least, it may be for ever, in the
most representative assembly in the world, to enter upon a sphere of
duty altogether new; but these are considerations which, however
ought not to decide the course of any one who has embraced 20
the service of the State. No, Sir, if I hesitated, it was from a doubt
of my knowledge and capacity to cope with the gigantic difficulties
which I was called upon to encounter—difficulties which in a great
measure had arisen from circumstances which no one could control, and
the origin of which are to this day unexplained, if not unexplainable 25
I feel that this reluctance, it was because I had

be the result. And now, Sir, let me assure this Council, that if I have no other qualities to the task which in accordance with the notice I gave a fortnight since I have this day before me, I can conscientiously say that I have been influenced by no other motive than to propose what I believe to be best for the interests of all classes and essential for the prosperity of our magnificent Indian Empire. And here permit me to say, once for all, that, in the proposals which I shall have the honor to make, in the principle of policy which I shall announce as those which will guide Her Majesty's Indian Government, I have the fullest and amplest concurrence of the Noble Earl the Governor General and of all other colleagues in Council; and I doubt not we shall experience a generous support from Her Majesty's Government and the Council of Ministers at Home. And, Sir, I should not be doing justice to my own feelings or to the merits of others, if I did not bear witness to the valuable assistance which I have up to this time received from my colleagues in Council, from the heads of all the departments I have had to consult, from the various Members of the Civil Service, and from the leading Commis-
 15 gentlemen with whom I have had the good fortune to communicate. I must also add that I have received valuable aid from many distinguished
 20 members of the Native community. Wherever I believed sound and useful information could be obtained, I have freely applied for it, and I must express my gratitude for the ungrudging and willing response to my applications. But, Sir, there is one gentleman in particular to whom my thanks are due. My Honorable friend, the Member for the North
 25 West Provinces, introduced a Bill in the month of August last for the licensing of Trades. - That Bill was introduced before it could have been known that Her Majesty's Government had even decided upon the appointment. When I arrived in Calcutta that Bill had passed a second reading and had been referred to a Committee, and I feel it my duty
 30 to state that, on my arrival, my Honorable friend took the earliest opportunity of requesting that I would in no way feel fettered by the existence of that Bill, but that it was his wish that I should act in every way with regard to it as best suited my own wishes and views. Nothing could be more cordial or frank than my Honorable friend's conduct. And
 35 that the Government has decided that, in the shape in which that Bill now stands, it would be better to abandon it and introduce new measures. I am bound to say that we feel very sensible of the great advantages which have resulted from the discussions which have taken place since that Bill. We cannot doubt that they will tend very much to aid
 40 the Government and the public in arriving at a wise and correct decision; and, Sir, for this assistance, I tender my cordial thanks to my Honorable friend.

Unhappily, Sir, the tragic events which have happened in India within the last three years have been too extensively
 45 severely felt to be soon forgotten.

! But severe as was the storm, and numerous as were the

yet it is unfortunately no State secret, that an evil of the greatest magnitude is corroding the very heart of our political existence. Sir, if we have surmounted one class of difficulties, we have still to grapple with another class, which, if not so exciting and alarming, is still of the most pressing and urgent character. It would be in vain that we could boast of the success of our arms, of the restoration of peace and tranquillity, if we could see no end to that financial disorder which so notoriously prevails at the present moment. That our situation is serious, that it is even worse than I have stated, I am bound to admit. Sir, if we have difficulties to face, the first and best step to take is to understand their full extent, their utmost magnitude. 10

It will be my duty, therefore, to lay before you, without suppression of one head and without exaggeration on the other, the exact state of our financial position as I find it. The Government desires to exercise no concealment. We think that our safest course—for rely upon it, if in matters affecting the credit of a State, there is a well founded impression that something is held back, that the whole truth is not known, that the public may be exposed to a disagreeable surprise—it is the Government's duty that suffers most from such a state of uncertainty. The money market understands how to discount uncertainties and contingencies. We consider, therefore, that the greatest frankness is not only the line of duty, as it is of our inclination, but that it is our best policy: we are of opinion also, that under present circumstances especially we are bound to be frank, when we are about to appeal to you to aid us in our efforts to retrieve the position in which we now stand. If we call upon the public to bear new burdens, and to make new sacrifices, however great, we feel that we are at least bound to explain fully their necessity. We are confident that, if we can enlist public opinion in our favour, it is by pursuing such a course. Sir, it is true we have no representative assembly to satisfy, and it would be only idle to speculate upon the time when India might have such institutions; but, Sir, we have a public opinion, an enlightened public opinion, both Native and European, and, above all, we have a free Press and free discussion; and we are of opinion that nothing but good can be derived from those useful—instruments, if I may say necessary—elements of a prosperous social structure by frankness on our part. It is by such a course that we believe we can best discharge our duty to this Council, and by which we can best enlist the sympathies and aid of the public in the heavy task which for the public good of India we are prepared to undertake, and in the success of which we have the utmost confidence, if we have only that fair share of support which we trust our proposals will command. 40

What then is our position? The last authentic public exposition of our financial position of India was made by my Right Honorable friend, Secretary of State in the House of Commons on the 1st day of August. In that Statement my Right Honorable friend computed the deficit of income as against the expenditure of the current year, ending on the 30th of April next, at £10,250,000. That was including the whole Indian and Home charges. But now, Sir, it is my duty to ask the indulgence of the Council, while I call attention to the following statement.

Calcutta, which seems to have been published in the public prints. at the special desire of those who were then Members of the Indian Government that I should be full and explicit upon this subject. According to that Statement, the deficiency in India was stated for the current year at £2,651,431, and, including the Home charges, at £6,499,981. But we bear in mind that this was only an estimate, though founded on the best information which was then at the command of the Government. It might naturally have been expected, the publication in England of such a Statement denoting an improvement in the state of Indian finances as that Statement prohibited, when compared with the statement made so short a time ago by the Secretary of State, produced an impression very favorable. If, Sir, it shall appear, as I proceed in my statement, that this impression was not well founded, I shall at least be able to show that the discrepancy proceeded from causes over which the authorities in Calcutta at the time had no control. Well then, Sir, I hold in my hand the final estimate of the income and expenditure of the current year, as corrected up to the present time, and a copy of which I will lay upon the table. According to this estimate, the income of the year will be £37,706,209, and the charges, including the stores from England, will amount to £41,770,008, leaving a deficiency in India alone of £4,063,809. But from this amount we have to deduct the Railway Traffic Receipts paid into the Public Treasury. Sir, it is a most gratifying fact, and one which augurs well for the future, that those receipts in the present year amount to no less a sum than £553,920. From this, however, we must deduct £223,220 for working expenses, which leaves a net return from traffic of £330,700. But from this we must further deduct a sum of £50,000 payable in India for guaranteed interest to shareholders, leaving a balance of £280,200 to be deducted from the deficit of £4,063,809, and reducing it to £3,783,609. Then, Sir, according to the last accounts which I have received from the Secretary of State, the Home charges, exclusive of the stores furnished to India, which I have already included, but including the sum of £1,110,000 to be paid for guaranteed interest to Railway Companies, will amount to £5,507,020, which, added to the deficit in India, will raise it to £9,293,629. These figures show an increase upon those of September to the amount of £1,417,378 upon the deficit of India, and, including the Home charges, of no less than £2,790,148. Well, the explanation of this discrepancy will, I am sure, show, what I feel confident no one can expect, that there was no desire or intention of misleading the public by that Statement. In the first place, then, the letter which accompanied the Statement showed distinctly, that in the receipts were included an estimate of £775,000 as the receipts from new taxes then proposed for the adoption of this Council. Sir, I fear if that expectation has entirely failed, that I may be considered partly responsible for the failure; but as the reasons are well known to you and the public. Then, again, Sir, very recently it was discovered that in furnishing the accounts from Bombay of the Military expenditure, an error had been made of nearly £60,000, and in those from Madras an unexpected increase in the Committee of £300,000. In the Public

om traffic on the other, which makes a difference of £833,300; and, lastly, the Home charges show an increase of £640,490. Now these items, amounting to upwards of £3,000,000, sufficiently explain the great discrepancy which must appear between the figures stated in September and those as corrected to this date. Sir, I do not offer this explanation as justification of a system under which such uncertainty prevails as to render such discrepancies possible: I would rather offer it as a proof of the absolute necessity for some immediate extensive and radical change of such a system. But what I am anxious to do is to show that those who issued the September Statement did so in good faith and in the *bona fide* belief in its accuracy, should there indeed be any one who could possibly harbour a different opinion. Well, Sir, but the really important use that we are called upon to-day to make of the facts to which I have referred is this: that the pleasing illusion which had to some extent been entertained, that we had made some considerable progress out of our difficulties, is but an illusion. I am told that it has been said in England upon the strength of that Statement, that "the neck of our financial difficulties had been broken." It would, indeed, Sir, be a gratifying fact to those who are now responsible for the finances of India, if it were the case; but if it is not so, if our difficulties remain to the full and undiminished, if indeed every day that we postpone a remedy they are only becoming aggravated, then, Sir, I say that such an illusion to be entertained is highly dangerous, inasmuch as it is calculated to weaken our efforts and to weaken our determination to meet those difficulties, to submit to those sacrifices which are necessary to overcome them. If, if we permit ourselves to be seduced into a false belief, that we are ready rapidly improving, and thereby are less earnest in our endeavours to arrest this serious evil, it will be most unfortunate for ourselves and the country. Without exaggerating anything, let us look everything fairly in the face:—if we would really rise to the magnitude of the crisis in which we are placed, and be found equal to it, we must take a broad and unprejudiced view of our position; we must look at things not as we would wish them to be, but as they really are. Well, I have already told you that our deficiency for the present year, up to the 30th of April, as nearly as it can be estimated, is £9,290,129:—our deficiency in the year ending the 30th of April last was £13,393,137, and for the year preceding ending the 30th of April 1858, it was £7,122,222. Thus, in three years, since the commencement of the Mutiny, the net deficiency of income, as compared with expenditure, amounts to less a sum than £6,547,488. And what is our prospect for the next year? After the way in which we have been deceived by estimating you will understand with how much diffidence I must regard any estimate that can be made. But we can only, in looking into the future, see the best means within our reach. I have a special dislike to *relative budgets*; they baffle and deceive the ablest financier. However correct calculations may be, a change of circumstances often upsets all. Well, but availing myself of the best information at my command as things now stand, allowing for a reduction of £1,000,000, which would appear in the accounts of the present year as compensation, allowing for a decrease in the military charges of £1,700,000, which arrangements have up to this time been made, and allowing for an increase of income from Salt

duties, for which the necessary sanction has been obtained, of £410,000. I cannot, even with all these allowances, reduce the deficit of next year below £6,500,000, which would swell the deficiency for the four years into a sum of £37,000,000. But, Sir, what has this state of our finances brought about? Our deficiencies have been supplied by loans in England and in India, and what has been the result? And here I claim the special attention of every one, Native and European, who feel a real interest in India. What was the state of our debt before the Mutiny? what is it now, and, let me ask, what will it soon be if we are to resort to the miserable and disreputable expediency of continuing to borrow in time of peace? Loans may be justified in time of war, and as the consequence of war for a year after; but even then they should not be exclusively relied upon. But the theory of borrowing during war involves necessity of some effort to reduce debt in time of peace; but if, instead of this, we are to continue to rely upon loans still in time of peace, what will our debt soon be? Where will be our credit? I hold in my hand a Statement showing the amount of the debt due by the Government of India, in India and England, in every year since 1834. (All these papers shall be laid on the table of the Council for the use of Members, and I hope will be printed for the use of the public, who are deeply interested in a correct understanding of these matters). Well, Sir, on the 30th of April 1857, just before the Mutiny commenced, the capital of the Public Debt in India was £55,546,652, and in England it was £3,894,400, and the interest payable upon the whole was £2,525,375. Sir, I need not trouble you by quoting the intermediate years, but on the 30th of April this year, indeed at the present moment—the debt in India has been increased to a sum of £71,202,807, and in London to a sum of £26,649,000, making together £97,851,807, and the annual charge on both is now £4,461,029. Thus, in three years, the debt of India has increased by a sum than £38,410,755, involving an annual increase of interest to the amount of £1,935,654. Sir, I am fearful of wearying you with these details, but they involve great facts, which must be understood. We have not been engaged in any foreign war: we have not had to defend ourselves from foreign aggression: we ourselves have attempted no war of conquest—but internal Mutiny alone has produced this result. Sir, it cannot be too widely made known throughout India that the late Mutiny cost the Indian public, I say the Indian public, because it cannot be separated from the Indian Exchequer—and also, because soon or later the press must fall upon them in one shape or another. Sir, it cannot be too widely known that the late Mutiny has cost the people of India, in a direct charge, independent of all other losses and sacrifices, the sum of £38,410,755, and has incurred an annual charge in respect of it of no less than £1,935,654 for, I fear, many years to come. Sir, if nations could only understand and appreciate the personal interests they had in enforcing an obedience to the law, the duties of the executive and the cost of Government would indeed be greatly diminished.

Well, but this is our present position. We have a deficit in the three years of £30,547,488—we have a prospect deficit in the next year of £6,500,000—we have already increased our debt £38,410,755; with these facts before us, it is for us to be fair—I will say a bold view, but tempered with caution and a sense of our position, to risk 1860-61.]

the magnitude of our difficulties, and with firm resolve determine to leave nothing undone which lies within our reach to remedy so crying an evil. Sir, shall it ever be said, that the prowess and heroism of English Soldiers and of English Civilians—I may even add of English Ladies—were sufficient, even in their disproportionate numbers, to quell the fiercest Mutiny that is recorded in history, and that English administrative capacity failed in governing a country so kept—I had almost said so reclaimed? Sir, I am sure, if it lies within the power of the Members of the Supreme Government of India, if it lies within the means of the action of this Council, if the European population in India can assist, if the millions of well-disposed Natives can aid, in preventing so disgraceful a catastrophe, one and all will render their best assistance in the task. At least it will be my duty, on behalf of my colleagues and myself,—having laid before you the necessities of the case,—to propose measures for your adoption, which we deem absolutely necessary, and not more than adequate to the occasion; and which we shall deem it to be our highest duty to India, in the responsible position we fill, to use all the means we possess, with moderation and temperance, but with firmness, to enforce. It is in the true interest of India and of the Indian Empire that we are called upon to act; do not let us deceive ourselves, or lull ourselves into composure, by the fact so often referred to, that there have been financial difficulties before: that without any very extraordinary effort or sacrifice they have been surmounted. It is common to refer to the laudable and successful efforts made by Lord Amherst to retrieve the financial difficulties which arose out of the Nepal and Mahratta wars: to the vigorous administration of Lord William Bentinck in retrieving the disorders which arose out of the first Burmese war. Now, Sir, if I refer to the acts of those two distinguished noblemen, I need not assure you that it is not for the purpose of depreciating them, nor of detracting from their high merits. If I compare their position with ours, it is only for the purpose of showing that our case is so incomparably worse, that it would be only deceiving ourselves to set them up as an example in any way applicable to the present time. For the purpose of understanding our own position better, let us see how those two cases stood. The Nepal war began in 1814 and continued till 1816, the Mahratta war began in 1817 and ended in 1819. Lord Amherst became Governor General in August 1823. During the war from 1814 to 1819, there were six years of deficiency, the whole amounting to £5,445,931, and when Lord Amherst arrived, there had been three years of surplus, amounting to £2,461,099, making a balance of deficiency of something less than £3,000,000. From 1814 to 1823 the debt of India increased only by £2,300,000. Again, the Burmese war began in 1824 and ended in 1826. Lord William Bentinck became Governor General in July 1828. No doubt he had a more serious difficulty to deal with. In the preceding five years the total deficit of Revenue amounted to £14,300,000, and the Indian Debt had increased by £12,000,000. But neither of these cases are to be compared in intensity with our present position. Lord Amherst had to meet an accumulated deficiency of nine years of £3,000,000. Lord William Bentinck had to cope with a deficiency of five years of £14,300,000. We have to deal with deficit of four years, amounting to £37,000,000; and amounting in the present year to upwards of nine millions. I say I wish only to impress

upon you the magnitude of the difficulty we have to meet. Again, let us compare our present position with that in which Sir Robert Peel found himself in 1842, when he felt himself bound to resort to remedies of no ordinary kind, and I will venture to say as much against the popular feeling in England at the time as anything we are likely to propose can be in antagonism to the popular feeling in India. When Sir Robert Peel succeeded to the Government in 1842, the first thing he had to deal with was a financial deficiency—a deficiency which may be said to have contributed mainly to the downfall of the preceding Government. Well, what was the extent of that deficit? Sir Robert Peel was the greatest master in making a Statement that this age has witnessed. But with all his dexterity, the whole amount which he was able to show to justify his bold, but wise measure, was a deficiency for five years, from 1837-38 to 1841-42, of £7,500,000, and including a prospective deficiency for the following year, he could only make up a total of £10,070,000; and this, be it remembered again, in the comparison, is to be put against our deficiency of £37,000,000 in four years; while his prospective deficiency for the coming year was £2,570,000 against ours of £6,500,000. Sir, I again repeat that the practical use which I wish to draw from these comparisons is to enable us to understand the real dimension of the task we have in hand, and, above all, to induce us to determine once and for all to reject all mere palliatives, and to brace up our nerves to the full extent of our duty. Whatever we do, let it be effectual for its purpose. But, Sir, in making these comparisons of the expenditure in the last three years with that of the wars to which I have referred, we cannot but be forcibly struck with the greatly increased cost upon the recent occasion. Sir, in one respect I must own that I find in this, one of the few redeeming points to reconcile us to the financial difficulty in which we now find ourselves. The future historian of India, when recording the occurrences of the last three years, if he be a man of fine discrimination, will dwell with pride upon the fact that at that moment India was governed by an English nobleman, who, in the midst of the greatest peril, never for one moment allowed his judgment to be swayed by passion, or his fine sense of honor and justice to be tarnished by even a passing feeling or revenge. For, perhaps, the first time in any Asiatic war Lord Canning adopted throughout the whole of this Campaign the most scrupulous principle of integrity. Whatever service was performed; whatever provisions were supplied; were strictly paid for; and when under the vigorous administration of the Punjab money contributions were exacted, the obligations have been all acknowledged and faithfully repaid. Sir, rely upon it, however much such a mode of conducting a Campaign may add to present expense, the statesman who pursues it is far more than re-paid in the permanent stability which he thus gives to an Empire; and, I cannot avoid this opportunity of saying, that however much some may have differed with the policy which the Governor General pursued, yet that the time is not very distant, when even they, and I am sure the public at large, will do justice to the calm and dispassionate, but truly courageous discrimination which the Noble Earl has exhibited throughout those trying occurrences; and I cannot but believe that we are already reaping the benefits of it in the great repose which has now spread itself over India, and which I am convinced will enable us the more effectually to deal with

our present financial difficulties. Sir, it is the privilege of Englishmen to criticise, and I hope they will long exercise it; but it is also characteristic of British Statesmen to pursue, through good report and evil report, the even tenor of their policy, trusting to time to justify them.

Well, Sir, I have pointed out to you, without the slightest reserve, the predicament in which we stand at this moment. I have shown you how infinitely worse it is than any similar occasion which we have recorded in India, or than the most pressing modern crisis in England. I have confined my observations to the period that has elapsed since May 1857. Are we to take that as a standard to which we should aim to arrive? Even if we could do so with regard to the Army, you must bear in mind that I have already shown you that, in the last three years, the interest of the debt has increased in round numbers by £2,000,000; and there are other increased charges beyond our control. But even were this otherwise, and even if it were possible that we should be able to regain the standard of 1857, would that be wholly satisfactory? We have a deficiency of upwards of £30,000,000 in three years, but is that a new state of things? Sir, I hold in my hand a return showing the deficits and surpluses of Indian Revenue as a whole in India, and at Home since 1814 down to 1860, and what is the result? The period embraces forty-six years: of that number we had a surplus in thirteen years amounting on the whole to £8,895,437, a sum not equal to the deficit of the present year, and we had deficits in the remaining thirty-three years, amounting in the whole to the large aggregate sum of £72,195,416—thirteen years of surplus at an average of only £684,264 a year, thirty-three years of deficit at an average of £5,540,000 a year. Nor was this state of things peculiar to the earlier part of the period to which I have referred. Taking the return only from 1834, when the management of India became purely governmental, we have a period of twenty-six years: of these the finances of India were in surplus only for seven years, while in the remaining nineteen years they exhibited large deficiencies. Again, Sir, I find by a return to Parliament in the last Session, that of the fifty-nine years which have elapsed in the present century, in no fewer than forty-four of those years have considerable, often large, additions been made to the Indian Debt, while in fifteen only have diminutions taken place; so that the normal state of Indian Finance may be said to be deficiency of income and addition to debt. Shall I ask, if that is a satisfactory state in which the finances of a great Empire should remain? Is that a condition to which we should be content to return? Sir, all who have the honor, dignity, and future security of India and of her teeming population at heart, will emphatically answer—no. Well, but is there no other source of uneasiness in what may be termed the normal condition of our finances? I fear there is at least one, if not more. Sir, I cannot forget that we derive about five millions net a year from the sale of opium. Now, perhaps, this is one of the most unique facts that the history of finance affords, that a Government without calling upon its people to make any sacrifice whatever, on the contrary by affording a profitable cultivation to a large class, should be able to derive a revenue for the benefit of the State of so large a sum. But what security have we that this will always continue? It is the only instance I remember at the moment of one country having succeeded in raising a large revenue

from the subjects of another. No doubt the demand has recently continued good and the prices high, but that I am disposed to regard rather as a source of danger than otherwise. I have no doubt our true policy is to keep up the supply to the full demand, and to obtain moderate
 5 prices for a large quantity, rather than large prices for a small quantity. High prices always lead to increased competition, and are particularly likely to do so in this case; and it appears, therefore, that steps have been taken to effect this object. But still at the best, what security have we that at some time or other this unusual source of revenue may not to
 10 some extent fail us? It seems to me that it is impossible not to regard it less or more as somewhat precarious. But, again, Sir, there is another evil of no slight kind, which has resulted from the fact, that we have hitherto relied so exclusively upon the land for our revenue. As I have already shown you, the finances of India have been almost always in
 15 difficulty. Deficits seem to have been their normal condition. But efforts have always been made to raise the income, and I fear that those efforts having been mainly directed to improving the land revenue, have resulted in something bordering upon oppression on the ryots, and not leading in the long run really to the improvement of the revenue. Of
 20 the evils of over-assessment, we have recently had a striking proof in Madras. Much to the honor of Lord Harris, the late Governor of that Presidency, his careful attention was directed to that subject, and so successfully had he applied the principle of revision, that my Honorable friend, the present Governor, Sir Charles Trevelyan, who has followed
 25 up the good work, informs me that, by reductions of assessments made under that revision, the land revenue of Madras, in consequence of extended cultivation, will be increased in the present year by a sum little short of £500,000 or thereabouts. Sir, our best thanks are due to Lord Harris, who, with so little ostentation, has instituted so marked a
 30 reform—a reform which enriches the people and the public treasury at the same time. I ask then, Sir, is it wise for a great Empire to rely so exclusively upon one source of revenue as we do in India, and to press our charges upon it so much, that while we run a risk of oppressing the people, we are certain, if we do so, to impoverish the Exchequer?
 35 Sir, I am fearful of wearying the Council with all these details, but I trust you will bear with me. We have a grave conjuncture of affairs to deal with. I think you will already begin to perceive that the evil is deeper and broader than at first it appeared. I think you will begin to see that our task will be heavier, and must extend to great questions
 40 of administrative reform, as well as to immediate questions of finance. You will, therefore, I am sure, pardon me if I feel it to be my duty to the best of my ability to unbare before you the whole extent of the evils as they present themselves to my mind. Sir, I sincerely trust that, in the free observations which I feel compelled in the performance of my
 45 duty to make, I shall be understood not to reflect unfavorably either upon any individual or upon any class. It is to the system, and the system alone, that I refer. Nay, I will say more. It has been a matter of surprise to me that, with so defective a system, greater evils have not arisen, and that they have not, I attribute only to individual zeal and
 50 care. It is, Sir, with that system we shall have to deal, with a system under which in thirty-three years out of forty-six we have suffered a
 1860-61.]

deficiency in our finances at the rate of £5,500,000 a year, and amounting in the whole to £72,195,416, under which we have now a deficit in the present year of upwards of £9,000,000 and a prospective deficit in the next year of about £6,500,000, under which our debt has increased in three years by upwards of £38,000,000, and the annual charge upon it by about £2,000,000. That is the price the Mutiny has cost the people of India. It cannot be repeated too often.

But, Sir, bad as our case may be, and even worse than we expected, is there any ground for despair? Sir, in my opinion, if we are only prepared to do our duty to our country and our Sovereign, I say there is none. On the contrary, gloomy as may be the picture I have drawn, and it is not more gloomy than justice demands, I will freely express my own most confident opinion that, if we are only true to ourselves, and I will add to the weighty obligations we have undertaken towards India, not only are all these evils capable of solution, but I will say further, that we may, with the blessing of a higher power, aid in creating a future of brilliant prosperity. Sir, at this moment everything favours our noble enterprize, if we will undertake it. Nay, the very crisis through which we have recently passed at such a sacrifice greatly favours us. While yet I was in England, upon more than one occasion I expressed my unbounded confidence in the resources of India. I did so from having watched the progress of its trade, and having studied the character of the country at a distance; but, Sir, if I had confidence in the resources of India while yet I had not seen it, I must say that it has been greatly increased by what I have had the privilege of witnessing since my arrival. It may appear almost presumptuous in one who has been in the country little more than two months to allude to his experience or to opinions based upon personal observation. But, Sir, I have had advantages during that short interval which do not often fall to the lot of those who pass even many years in the country. As you are aware, a fortunate accident led to my visiting the Upper Provinces, immediately after my arrival. I have travelled from Calcutta to Lahore, and from Lahore back to Calcutta. I have visited every town and city of importance over that extensive tract. I have had the advantage, and a rare one I must acknowledge it to have been, of freely discussing all matters of public interest with the Civil Servants of the Crown at every Station. At every important town I have had free intercourse in public and in private with the Native Merchants and Bankers, and of these I will say, that in enterprize, in knowledge, and sagacity, they would well compare with some of the most enlightened classes in Europe:—the impression produced upon my mind with regard to the resources of the country and the capacity of the people to develop them was most favourable. A richer soil, a finer climate, a more industrious, active, and frugal, and I will add docile, population, it would be difficult to find anywhere.

Sir, it would be difficult to imagine anything more intensely interesting. I have seen many European countries, but I have seen none at once so striking, so wonderful, so interesting. The nearest comparison I could make would be a Belgium upon an immensely enlarged scale. You have the same ancient magnificent cities, with their narrow streets, their thronged population, their splendid public buildings, the relics of decayed dynasties, and the active bustle of trade at every corner; but

what is more important and more to our present purpose, you have the same expansive plains, with Alpine mountains in the far distance, affording sanitarium for the people and a climate for new varieties of productions—you have large rivers and magnificent canals irrigating the country:—the same careful husbandry with cultivation up to the roadside, and the same teeming population, all bent on active and profitable pursuits:—you have the same thrifty and economical habits. Sir, I am told that all these symptoms have intensified since the Mutiny. Considering what we had before been told of India, I must say that the impression produced on my mind, both from what I saw and what I heard, was as if the people of all classes had been roused into a new activity by the great crisis which had shook the whole country. On all hands I was told by European Officers, that the change since the Mutiny was so great that people seemed as if they had been awakened from a state of lethargy to a state of intense activity, that the whole character and tone of the people was so much altered for the better, since the signal proofs they had received, first of our power and next of our justice, moderation, and magnanimity, that those who had been absent but for a short time could hardly be fair judges of the present state of India. Such was the impression on my mind. I never saw greater signs of industrial vitality, all full of promise of future prosperity. When I had the good fortune, as Secretary to the India Board, in 1849, to pass the two first bills through Parliament for Railways in India, I was told, and that by those who had long experience in India, that the Natives would not use them. We have only on this side of India two extensive pieces of line open, from Calcutta to Raneegunge and from Allahabad to Cawnpore. Those who have seen the rush of third class passengers on a holiday in Belgium, can from that form the best idea of the use made of these lines by Natives. What we require is the completion of those lines at any cost, but quickly, and we shall see a result for which the most sanguine is not prepared.

But, Sir, there is another element of secure prosperity which India especially enjoys. Almost everything she produces is in constant and boundless demand in Europe, and almost every article of importance required in Europe is to be found increasing in India; so varied are her products. Sir, in this fact there is great security for the future. Let cultivation be extended and improved ever so much, there is no fear of the want of a market. But let me appeal from mere opinions to facts, to show the condition in which India is now placed. Sir, it is undoubted that, at the present time, India enjoys a prosperity far beyond comparison with any former time; and what is most satisfactory is, that the evidences of that prosperity have been for some years past steady and accumulative. It is not, Sir, a mere transitory excitement. As proof of this, Sir, let me refer to our Exports and Imports. I hold in my hand official returns, which exhibit the amount of our Exports and Imports in each year since 1834. Sir, I now speak of merchandise only, leaving out of question for the present our large transactions in Treasure. Well, Sir, in 1834-35 the total amount of our Exports to all parts was only £7,993,420; in 1858-59, it was no less than £26,989,000; and in the present year it will be considerably more. Again, Sir, in 1834-35 the value of our Imports into India was only £4,261,106; in 1858-59 it was no less than £21,366,447; and in the present year will exceed £24,000,000, and this 1860-61.]

is independent of Treasure, to the average amount in the last five years : of no less than £11,223,107 yearly. Sir, I have had these returns divided into periods of five years, showing the average of each period for convenience. This division gives the following results:—

IMPORTS.

5

Average of five years.	Merchandise.	Treasure. ●
	£	£
1834 to 39 ... average ...	4,970,000 ...	2,345,000
1839 „ 44 ... „ ...	7,691,428 ...	2,762,164
1844 „ 49 ... „ ...	9,131,612 ...	3,073,249
1849 „ 54 ... „ ...	10,756,134 ...	4,474,107
1854 „ 59 ... „ ...	15,865,934 ...	11,223,107

10

EXPORTS.

15

Average of five years.	Merchandise.	Treasure.
	£	£
1834 to 39 ... average ...	11,071,529 ...	251,069
1839 „ 44 ... „ ...	13,789,769 ...	462,795
1844 „ 49 ... „ ...	15,675,044 ...	1,320,503
1849 „ 54 ... „ ...	14,899,594 ...	646,469
1854 „ 59 ... „ ...	22,187,736 ...	850,605

20

Taking the Exports and Imports of Merchandise and Treasure, and there is really no distinction between the two, we find that the trade of India has grown up during the period embraced in these tables from a total sum (Exports and Imports together) of £13,847,289 in 1833-34 to one of £60,219,660 in 1858-59. Can we desire a stronger proof of the steady prosperity of the country? So much for our external trade; but I have proofs no less conclusive of the improvement of our internal condition, to which I would claim the attention of the Council, and especially as they touch the interests of a body of gentlemen to whom I shall have hereafter to refer. It is notorious how much the price of all country produce has increased of late years in consequence of this great demand for exportation. Now, Sir, what has been the effect produced upon the interests of the cultivators of the soil by this enlarged trade? I hold in my hand a return showing the number of estates in the permanent settled districts brought to sale in each year since 1834-35 to the present time for default of rent. In the first year of the period, estates representing an annual rental of 4,81,403 Rupees, or £48,140, were sold for rent; in the next year 1835-36 the sales represented an annual rent of 950,608 Rupees, or £95,060, and the average of seven years sold at that time represented a rental of £56,751. What is the case now? In the last year, 1858-59, the sales represented a rental of only 14,493 Rupees, or £1,449, while the average of the last seven years shows a rental of only 65,326 Rupees, or £6,532, being little more than a ninth of the former average. Again, if I refer to the arrears of Land Revenue at the end of each year, I find that from a sum of upwards of four crores (£4,000,000) in 1834, they have now dwindled down to a mere nominal sum. Sir, I am not forgetful of the share which an improved administration may have had in producing these results; but undoubtedly they are also in great degree, if not mainly, to be referred to the increased demand for the produce of the land occasioned by our extending commerce, and the unusual prosperity which has resulted

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therefrom. But, Sir, another result has flowed from these causes, more important and more interesting than any, because it affects directly the great masses of the people, individually so helpless. Sir, I am thankful to know that the benefits thus conferred by our commerce upon the land have extended, and in no slight degree to the labourer. It is no exaggeration to say that such has been the increased demand for labour that the rate of wages has risen in many districts two-fold, and in some three-fold during the last few years. In the face of evidence of this kind, can any one doubt that all classes in India are in a state of prosperity unparalleled at any former time. It is indeed, Sir, I believe, a fact which is undisputed. Well, let us pause for a moment and consider what it is I have shown you. I have shown from statements and facts only too well known to every one, and beyond dispute, that the finances of the State are in a condition of unparalleled disorder and deficit; and I have shown by proofs equally conclusive, that under the protection of that Government, by the peace and good order which it maintains, by the commerce and enterprise which it succours, every class of the community is in a condition of unparalleled prosperity. Could there be a greater contrast than that which it has been my duty to draw to-day between the condition of the Government all powerful in its executive character and that of the people? But, Sir, there is such a sympathy between the credit of a Government, the finances of the State, and the commerce and trade of a country, that it would be contrary to all history that such an anomaly should continue. Depend upon it, it is for the interest of the commerce of India, for the interest of the land of India, for the interest of the labourers of India, that this anomaly should be cured as quickly as possible. It is not only the duty, but it is the direct interest of all classes to contribute their fair share to restore the financial position of the State; and, above all, it is the first duty of the Government to take steps in the public interest to that end. Sir, the Government of India, representing the interests of the Crown of England, stands in a peculiar position towards India. England does not, and never has, exacted tribute from India. Every rupee of taxes raised in India is devoted strictly to Indian purposes. If England expects or desires for advantage from India, it is only in a way entirely consistent with the true interests of India—it is by a reciprocal exchange of products, which constitutes that commerce which I have shown you has showered so many blessings on India, to the full, I admit, reciprocated by England. If then, Sir, it be our duty to call upon India to make new efforts to place the finances of the Government in a condition consistent with the public interest, it is for the benefit of India mainly that we do so. In so doing, we shall only be performing the first duty which a State owes to the people over whom it governs. Now, we fully admit that, in our endeavours to restore the equilibrium between Income and Expenditure, our first duty is to use every effort to reduce all expenditure to the lowest point consistent with security and good government, and to make all those administrative reforms which are so essential in order to secure economy, and I hope, before I sit down, to show you that the Government is not unmindful of its duty in this respect. But, Sir, I submit that there is a point below which the interests of the country, in preserving that peace and security which are so essential in order to maintain that prosperity which the country

now enjoys, forbid us to carry reductions. This point has been carefully considered, and it is the opinion of the Government that in the interest of India, it must have recourse to some new sources of taxation, as well to meet present deficiency, as to place our finances in a more permanently secure position for the future. But if we are about to call upon our fellow-subjects in India to submit to some further contribution to the State, I may be permitted to point out how very small is the sum in the shape of taxes which they at present pay. I believe it to be undoubted that India is, and will remain, the lightest taxed country in the world, in proportion to the good Government which it enjoys. Sir, the sum total of receipts for the current year is £37,706,208. But that includes Land Revenue, which no one will deny can only be regarded as rent, the proprietary right of the Government to a share of the rent having never been disputed, and which, if not paid to the Government, would undoubtedly be paid to the zemindar or other proprietor:—it also includes the receipts from opium, which in no sense can be called a tax:—it includes other receipts of a like kind, which on the whole amount to no less than £28,678,235. The balance amounting to £9,027,973 can alone be termed taxation in the sense in which that term is used in Europe. The receipts from the 20 Crown lands of England would certainly never be called taxes. This sum of £9,027,973 consists of Customs duties, Excise, Sayer, Abkaree, Moturpha, Trade Taxes, Salt and Stamps. Strictly speaking, these are all the taxes now levied in India. The population of British India by the last return to Parliament was 132,292,000, giving an average of one 25 shilling and four pence, or of little more than ten annas a head; while in England the rate per head of taxation, strictly speaking, is £2-3 a head. In India, even including Land Revenue, the rate would be considerably under five shillings a head.

Having, then, I trust, shown fully the necessities of the Government; 30 having given you the best proofs of the prospects and ability of the country to contribute the necessary cost of good Government, and having, I trust, satisfied you that the burdens of taxation in India are at the present time light in comparison with other countries, it is my place now to proceed to explain the measures which we think it our duty to take in 35 order to place the finances of the country in a sound and satisfactory condition: in doing so, it will be our endeavour to propose measures adequate for the purpose, for we are of opinion that no greater mistake could be made than to propose measures insufficient in themselves, and which could only lead to the necessity of having recourse to further 40 measures hereafter. Sir, it is our wish to deal with the difficulty once and for all, and not to render it needful again to disturb the public mind, or the course of transactions, by having recourse to further measures hereafter. In proposing these measures, there are three great principles which have guided the Government in their adoption—the first is, that 45 whatever measures are proposed, they shall at least be based upon perfect equality and justice to every class of the community, alike Natives and Europeans, alike official and non-official: the next is, that they shall be in conformity with sound financial and commercial policy; and the last is, that in this, as in all other matters in the Government of India, we 50 will scrupulously endeavour to avoid anything that would offend the

religious views and rites of our native fellow-subjects. Sir, I have heard so much upon the latter subject, so much upon *this* tax being contrary to native custom, and *that* being in accordance with native custom, that I have considered it to be my duty to look carefully into the recognized
 5 authorities upon this subject. Sir, I have consulted the antient sacred authority of Menu; and the version of the antient Hindoo law, upon the best authority at my command, is as follows:—

The Revenue Law laid down by Menu.

“The revenue” (says the writer) “consists of a share of grain and of all other agricultural
 10 produce; taxes on commerce; a very small annual imposition on petty traders and shopkeepers; and a forced service of a day in each month by handicraftsmen.

The merchants are to be taxed on a consideration of the prime cost of their commodities, the expense of travelling, and their net profits.

The following are the rates of taxation:—

15 On cattle, gems, gold, and silver, added each year to the capital stock, one-fiftieth; which in time of war or invasion may be increased to one-twentieth.

On grain, one-twelfth, one-eighth, one-sixth, according to the soil and the labour necessary to cultivate it. This also may be raised, in cases of emergency, even as far as one-fourth; and must always have been the most important item in public revenue.

20 On the clear annual increase of trees, flesh meat, honey, perfumes, and several other natural productions and manufactures, one-sixth.

The king is also entitled to 20 per cent. on the profit of all sales. Escheats for want of heirs have been mentioned as being his, and so also is all property to which no owner appears within three years after proclamation. Besides possessing mines of his own, he is entitled to
 25 half of the precious minerals in the earth.”

Now, Sir, I must say that there is latitude enough here for the ‘most needy Exchequer and for the most voracious Minister:—a twenty per cent. income tax upon profits; a tax varying from two to five per cent. upon accumulated capital; a share of almost every article produced; an
 30 annual tax on trades; half the produce of mines, and besides other means, certainly present a sufficiently wide field for taxation to satisfy any one either as to amount or as to kind. The choice is ample. The extent not unduly restricted. I should imagine the revenue laws of the antient Hindoos must have been contributed to the sacred compiler by some very
 35 needy finance minister of the day.

Well, then, the first part of our proposals to which I wish to call the attention of the Council will have relation to our present Customs law, with a view to propose some not unimportant modifications, though not leading to any very great financial results. It will be remembered that
 40 the present Tariff was passed last year under a very pressing emergency, and in a somewhat hurried manner. Sir, experience and further reflection have convinced us that there may be some considerable ‘improvements made in it, which would contribute greatly to the public advantage; and these we propose to make even at some temporary loss upon some
 45 articles. Sir, upon the whole, the changes in the Tariff of last year have proved most successful. The trade has continued rapidly to increase and a large revenue has been received. We have not yet completed the full year; but taking the portion of the year expired, that is, up to the 31st of January, I find that the net receipts into the Treasury, in the present
 50 year, have been, for Calcutta alone, £1,646,829, against £1,213,566 in the corresponding period of the previous year: results equally favorable have been experienced at the other ports. Upon the whole, the Customs in the present year are expected to yield £3,430,000 as compared with 1860-61.]

£2,073,000 the year preceding; as a whole; therefore, the change is working well. But it has been my duty closely to analyse these receipts in their different classes, and I regret to say that I find one class of duties which is not answering the expectation formed of them. It will be remembered that in framing the last Tariff, a considerable number of articles, which formerly bore a duty of 5 per cent., were raised to 20 per cent. Sir, I fear it will appear, when we closely examine our Customs returns in detail, that that increase was too great. I hold in my hand three returns in relation to the entire class of goods, which are subject to 20 per cent. The first return shows the quantity of those goods imported upon an average of three years before the change of duty took place. This average represents a sum of £609,636, but it must be borne in mind that those years included the year of the Mutiny and the one immediately succeeding it. The second return shows the quantity of those goods imported in the year immediately preceding the new duties. The amount was £700,638, the last return is of the quantity of the same goods imported from the 1st of March last year, when the new duties took effect, to the 31st of January, and with an addition by estimate for the six weeks to complete the year. The amount together is only £450,647. Here then, Sir, we have a falling off as compared with the average of three years of 25 per cent., and as compared with the year immediately preceding of more than 35 per cent. Sir, this is surely a premonitory symptom, and a warning to retrace our steps. Sir, we accept the warning, and have decided to reduce the duty upon all the articles in the Tariff, for every one of them show in the decline, which now bear a duty of 20 per cent. to 10 per cent., tobacco only excepted, and to which I shall advert hereafter. Even as a matter of policy, there are many considerations which, in the views of Government, render this a desirable step. Assuming which, I think we may, looking to other articles of trade, that the reduction from 20 to 10 per cent. will raise the imports again to the rate they stood at in 1858, then the immediate loss of revenue will not exceed £20,000 in Calcutta and £10,000 in Bombay and Madras, making a total of £30,000. Sir, there are some other reductions which we are bold enough to propose. We wish to take a broad view of the interests of the country and of the best means of retrieving our position. We are desirous to give every opportunity for the produce of the country to increase, and for commercial intercourse to be enlarged; and where impediments stand in the way, we are desirous of removing them as far as our present means will justify; and especially when we can recover ourselves in another less obnoxious way. Sir, it must be evident that, as a general rule, when the products of our soil have to find a foreign market, and in cases where they enter into competition with those of other countries, the effect of export duties must be to place our products in those countries at a disadvantage with their foreign competitors:—in point of fact, it cannot be denied that in such cases an export duty falls chiefly upon the producer who cultivates the article. But, again, we have some articles of raw material which merely pass through our territory for shipment at our ports. The article of sheep's wool is one of these. A large quantity is imported into Bombay from Cutch, and from the countries beyond the Indus chiefly,

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and exported to England. At present that wool is charged with an import, I should rather say a transit duty of no less than 10 per cent. Wool produced in our own territory pays an export duty of 3 per cent. The Government is of opinion that a bulky article of this kind that has to

5 encounter a fierce competition with the wool of Australia, South America, the Cape, and other places should be released from any impediment of this kind. We believe it to be of the utmost importance, even in a political point of view, to encourage this rising trade on the part of the hill tribes which skirt our North-West Frontier. Already the exports of

10 wool from India are as important as they were from Australia only fifteen years ago; in the two last years, they have, however, shown some tendency to decline, and I fear our heavy transit and export duties have been the cause. From the enquiries which I made upon the subject at Umritsur and at Lahore, I am inclined to believe that a large trade in wool will

15 soon be developed from our frontier hills as soon as the transit down the Indus is improved and the railway is finished to Mooltan. Of that I have no doubt. And we shall certainly reap a good revenue from the imports which are received in return. The transit and export duty on wool which we thus relinquish are equal to about £17,000 a year, by placing it in

20 the free list. Then, Sir, there are two articles of considerable export which arose chiefly in consequence of the Russian war—I mean the articles of hemp and hides:—the competition which these have to bear in the home markets with the products of other countries makes the export duty bear heavily upon them, and they are both articles of trade, which,

25 for many reasons, we are especially interested in encouraging. We propose to place them also in the free list. The duty which they yield at present is a little over £16,000. Then, again, the article of jute is in the same category, it is one of the great raw materials used in England, which competes with the coarse hemp of Russia, and the production of which

30 it is much our interest to promote. This also will be placed in the free list: the duty is £15,000. We also propose to place flax in the free list, in order to give every encouragement to the incipient efforts, to make that an important article of produce in the Punjab, which I doubt not will ultimately be successful. Then, again, Sir, there is an article which is,

35 engaging, and justly so, much interest—I mean the cultivation of tea. The experiment made by the Government at a great cost of introducing it as an article of cultivation on our high lands has proved eminently successful; so much so that steps are being taken to hand it over entirely to private enterprise. It is one of the few means which we have in India

40 of attracting European capital and European settlers. Sir, we ought to extend every encouragement in our power, and it certainly seems in the high degree inconsistent that we should be spending public money to encourage the cultivation of this plant, and then to place an export duty upon it at our peril when it has to be shipped to find a market in

45 competition with the produce of our next door neighbours in China. The duty upon the export of tea is only £2,500, and it also will be placed in the free list. There is still one other class of articles which we think ought to be free of duty. Books are already free, and we think that prints, maps, and works of art should be included:—the duty they

50 give now is very trivial, little over £1,000. The reductions, therefore—
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fore, which we propose in our present Tariff for the reasons I have explained are—

1. Loss on 20 per cent. duties	...	...	...	30,000	
2. Wool, free	...	...	...	17,000	
3. Hides and Hemp, free	...	...	...	16,000	
4. Jute, free	...	...	...	15,000	5
5. Flax, free	...	...	...	.....	
6. Tea, free	...	...	...	2,500	
7. Prints, Maps, &c., free	...	...	...	1,500	
TOTAL				£ 82,000	10

making a total loss of eighty-two thousand pounds.

But, Sir, we have some per contra proposals to make in respect to the Customs duties. In the first place, there is one article which is produced almost exclusively in India, and which bears a large price and a high profit—I mean saltpetre. This article can scarcely be said to stand 15 in the same position as many other articles which are produced by the cultivators of the soil. It is in point of fact a manufacture from earth. It has been represented to me, both at Home and here, that this article would bear a duty of £10 a ton without any danger of its being interfered with by foreign competition. It has long been under consideration 20 in the North-Western Provinces, where it was proposed to impose an Excise duty upon it. Sir, I prefer an additional Export Customs duty. I do not, however, go the length of the rate suggested. We are content to try the experiment with a duty of 2 Rupees a maund, which will be about £5-10 a ton. The quantity exported from Calcutta 25 is about 800,000 maunds, and from Bombay about 100,000 maunds, making a total of 900,000 maunds, which will give £180,000, or an increase of £164,300. I should mention that we propose to give an advantage not hitherto enjoyed by the saltpetre refiners, by allowing them, subject to paying the duty, to turn to profit the salt which 30 is necessarily made in the process, and which hitherto has been wasted. I have fully discussed these arrangements with the Revenue Board at Allahabad. Then, Sir, we propose to raise the duty upon unmanufactured tobacco to 8 annas the seer and manufactured tobacco to 1 Rupee the seer. The special bearing of this proposal I shall 35 explain hereafter. This will give us £25,000. And now I come to mention the last change which we propose in the Tariff, and it is the only one which I make with regret. But necessity has no law. I must own that, after due consideration, we can discover no good reason why cotton yarn and twist should be imported at a lower 40 duty than cotton piece goods. I know it is said that it is in an earlier stage of manufacture; but may the same not be said of grey cloth, as compared with bleached and dyed cloth and printed cloth? If we are to have an average duty, it should be an average throughout, nor do I attach much importance to the argument that a low duty on yarn and a higher 45 duty on cloth encourages native weaving. I could find those who complain that their labour in spinning fine yarn by hand is interfered with by a lower duty on yarn. But I attach little importance to that class of arguments, and I believe that the same duty of 10 per cent. may be placed on yarns as is charged on goods, without any perceptible injury 50 to the trade. The trade in both articles appears to be progressing

rapidly. By the last Mail we received the official accounts of the trade for the eleven months of 1859. According to those returns the exports of cotton piece goods to India had reached the large amount of £11,041,000 in 1859 against £8,497,000 the year before and £5,147,000 in 1847.

5 So in the case of yarn, the exports in 1859 were £2,306,000 against £1,763,000 in 1858 and £994,000 in 1857. I wish, indeed, it had been in our power to reduce all to the limit of 5 per cent., but that is impossible at present, whatever may be the case hereafter. I wish, however, to say in reference to this increase of the duty upon cotton

0 twist and yarns that, inasmuch as it is sometimes the practice to
 1 sell by contracts for future delivery, that in all cases in which it can
 4 be shown to the satisfaction of the Customs authorities that twist
 that has actually been shipped at this time, or that has arrived,
 has been sold subject to the existing duty, such goods will be ad-
 15 mitted at the present rate of 5 per cent. The practice no doubt
 in England is to levy the duty from the moment of its enactment, giving
 the seller the power to recover from the buyer; but it may be borne in
 mind that, when duties are raised in England, they generally affect
 articles like tea and sugar, of which stocks in bond exist, equal to many
 20 months' consumption, if not for a whole year. In the case of cotton
 twist, the concession which we make, we are aware, can only at most affect
 a small quantity, nor is this course without precedent. When the tea
 duties were equalised, all the Bohea quality, proved to have been shipped
 up to a given date, was admitted at the lower duty of 1s. 6d. the lb.

25 By these changes we shall have a Tariff imposing one single uniform *ad valorem* duty of 10 per cent. on all articles subject to duty, except beer, spirits, wines, and tobacco, which will continue subject to the same specific duties as they are at present. We compute the gain upon these articles at £233,700, cotton twist giving an additional revenue of £67,461.

30 I would here wish to call your attention to a very important distinction, a distinction which ought never to be lost sight of by statesmen, between
 1 the incidence and consequence of import and of export duties. With re-
 4 gard to an import duty, all that you can generally say is, that it adds
 to the cost, and is a tax on the consumer. No doubt, if unduly high, it
 35 may limit trade, as has been the case with our 20 per cent. articles. But with regard to export duties on articles which have to compete with
 1 the products of similar articles from other countries in neutral markets, the first effect no doubt is that the export duty acts to that extent as a reduc-
 3 tion of the price paid to the producer, and is a special tax and discouragement to him as a producer; but a further and serious danger is, that your
 40 duty may exclude the article from the foreign market altogether, act as a prohibition, and thus put an end to or greatly limit the production and
 the demand for labour. Sir, it is this obvious distinction that has made us so desirous to relieve our exports as the best means of improving our
 45 internal resources. And, Sir, when we reflected that England had thrown open her ports to the free admission of these articles from every
 part of the Globe, that there is some reason for believing that France is about to follow the same wise policy, and that the articles with which we have dealt are the raw materials of the great manufactures of Europe,
 50 and therefore capable of unlimited extension—we believed we could not in any way better contribute to our own interest than by taking this

course. Sir, we repeal duties giving £82,000, but we recover by other duties, in a way unobjectionable, £233,700. But there is another source from which we look for an increased income. The valuations upon which the duties have been paid have hitherto been notoriously too low. They are now being revised, and the result, I expect, will be, that the revenue will be improved by at least £150,000. When this revision is completed, the Government intend to take steps to apply a uniform valuation to all India. We pass the same Tariff of duties for every port; but if, as has been, and is still the case, the valuations to which the *ad valorem* duties are applied are different at every port, it results in point of fact in different duties in every port; and the competition between the merchants of one port and those of another is thus rendered unfair in the interior markets. Sir, I do not think that I shall overestimate the gain to the revenue by these revised valuations as a whole if I take it at £200,000. If this be correct, then we shall have an increase of customs upon the whole of £433,700, subject to a deduction of £82,000, giving a net gain of £351,700, after releasing from export duty almost all articles which constitute the raw materials of our manufacturing industry at Home, and which, as such, have to struggle against the competition of other countries. In all these cases the articles are included both in the free import and export list, in order to allow them to pass through from Native States without duty to the port of shipment. Sir, I believe it will be found that in these changes we have made only timely concessions to the necessities of trade, and that they will re-act most beneficially upon the interests of the cultivators of India. It has often been suggested to us that a large export duty might be laid upon indigo, upon the same principle that we have applied to saltpetre, because it was exclusively produced in India. Sir, that is an error. There has always been a rival production in Mexico, and that production, I observe, has greatly increased in the last few years. But were it otherwise, I should doubt the policy of increasing the duty; like tea, it is one of the few cultivations in India which attract British capital and skill to direct Native labour. That is the kind of industry which, above all others, the Government would wish to encourage, and on that account alone they would feel precluded from placing any impediment in the way of its extension. It would be more in consonance with our views to remove what little duty there now is as soon as circumstances will permit. The value of the influence of European gentlemen settled in our country districts cannot, in our opinion, be overestimated, and it will be the steadfast policy of the Government to encourage it in every fair way we can. Sir, I propose to move the suspension of the Standing Orders before I sit down in order to enable me to introduce a Bill to-day to effect these objects; for it is obviously desirable that no interval shall be allowed to elapse before the changes take effect, and as they are mostly concessions, that course will be to the clear advantage of the merchant.

Sir, we do not propose these measures so much as a means of meeting our difficulties as of laying the foundation for increased prosperity in the future by relieving agriculture, as well as commerce, from restrictions and imposts which, while they give but little to the Exchequer, may prove serious impediments to our future progress, at a time when, as I have before said, all these articles have been admitted free of all duty to

the English market, when there is good reason for believing that the French Government contemplates a similar policy, it would indeed be unjustifiable in us if we were to exclude our producers and our merchants from sharing in common with all other nations in these advantages, by retaining export duties on those articles which have to compete with the products of all the world.

But now, Sir, I have to recall your attention to the main object of the measures which I, on the part of the Government, will have to propose. I must remind you that the proposals I have made, and the measures I have explained, however valuable in themselves, and however much, we may fairly hope, they will conduce indirectly to the fruitfulness of the revenue in other ways hereafter, yet will do but little to meet our present emergencies. I must remind you that we have still to deal with a present deficit of about nine millions, and a prospective deficit, after making allowance for considerable reductions of upwards of six millions—I must remind you also that I have shown you, that it is not only with this great and accidental difficulty that we have to deal, but that the normal condition of the finances of India is one which is not creditable to a Government : that in by far the great majority of years during the whole of this century, we have been creating deficiencies and adding to debt. Well, we call upon you and upon the public to aid us to correct this state of things. We will do our best to reduce expenditure and to improve the administration ; but when all that is done, it will not be enough. We are, Sir, therefore, reluctantly compelled to propose to increase the revenue by the imposition of new taxes ; and these we propose to be of two classes—the one we shall propose to enact only for a limited period with a view to the present emergency—the other, we propose to ask you to pass without limit of time. In selecting new sources of revenue, the Government are very much impressed with the fact that hitherto a large share of the revenue has been derived from land, and that the practice of revising the assessments periodically has at least had the effect of keeping the actual cultivator always at a rack-rent. We therefore think that whatever new taxes we impose, the incidence should fall mainly upon other classes. There is no doubt that merchants and bankers and others can hardly be said to have borne their full share of the burdens of the State heretofore. Much discussion has taken place as to the best form in which new taxes can be imposed ; much has been said as to the Native aversion to taxes. Sir, all people are averse to taxes. Burke said in the House of Commons, “ It is as difficult to tax and to please, as it is to love and be wise.” I do not believe in the popularity of any tax. I do believe in the preference which the wealthy native trading classes give to those taxes which they can shift to the shoulders of others. If we are to consider the Natives, which we ought, then I have shown you that their sacred writings give us ample latitude of choice. But, Sir, we must at once resist and reject a return to the old system of internal and transit duties, when every zemindar had a Custom House at the entrance to his own village. Sir, we cannot consent to allow all the efforts which have been used to abolish so prejudicial a system to go for nothing, and to revert to it, as we have been advised, because it is an easy mode and in accordance with antient usage. No, Sir, whatever we do, whether our success be great or little, whatever our progress may be, at least let it be

in the right direction. Sir, my Honorable friend opposite introduced in August last a Bill for imposing a license duty upon trades. The difficulty of my Honorable friend's proposal soon became apparent. If he had confined his demand to a small uniform license, which could alone be paid by small dealers, then not only was the amount of revenue to be derived from such a tax entirely inadequate to the demands of the State, but it was evident that the wealthy traders and bankers, who have so chiefly benefited by our rule and by the order and security we have maintained at so much cost, would contribute nothing in proportion to the exigencies of the State. To cure this, it was proposed to graduate the tax, and to charge it in proportion to the gains of traders; but then, Sir, it was evident to my Honorable friend, and he pointed out the difficulty at the time, that as soon as that plan was adopted, he was landed in all the difficulties and intricacies of Schedule D of the income tax: not only was this so, but another difficulty presented itself:—if the license duty were of small and uniform amount, traders would not have complained of it; but as soon as it was made proportionate to their incomes, then they not unnaturally complained that they were selected as the only class to be taxed, and my Honorable friend yielding to the force of these representations consented to introduce other classes; but still there were some classes excluded, and who could not in fact be included. Sir, I have had many and very frank communications with my Honorable friend, and I again tender him my best thanks for his ready advice upon all occasions; and I believe I may say that he entirely concurs in the decision at which the Government has arrived, that the objects embraced in that Bill will best be dealt with separately, and that they should be the matter of two distinct Bills. Sir, it is the opinion of the Government that an income tax, to be just, ought to be universal and equal in its application to all alike, within a certain limit of income. We could not justify such a tax upon any other conditions. But while we say within a limit, we do not mean that the pressure of taxation should not be as wide as possible. In England the lower classes are subject to heavy indirect taxes almost unknown in India. Upon tea, sugar, tobacco, spirits, malt, and other articles, consumed in a great degree by the working classes, the English Government collects a revenue nearly, if not quite equal, to the entire present revenue of India. We are of opinion, therefore, that a small and almost uniform license duty should be imposed upon traders of every class, high and low, but without any attempt at graduation. In a great majority of cases, it will operate rather as a registration tax, and only on the lowest classes, who will be exempted from income tax by reason of their small incomes, will it be really felt as a tax. I have here a list of the license duties on trades collected in England. They include in all no fewer than one hundred and sixteen different rates, some of them are as high as £78, and some as low as a few shillings. I find that one class of brewers pay £78-15, that bankers pay £30, attorneys £9, pawn-brokers £15, auctioneers £10; and other classes various other sums: and all this in addition to income tax. Sir, we shall be comparatively moderate in our demands.

With one exception, to which I shall presently refer, these are the taxes which we feel called upon to propose to you: the license duty to be passed without limit of time, the income tax to be taken only for five years. The license duty we propose to be extremely moderate. It will

consist of three rates—one rate of 1 Rupee a year on artizans, including weavers, leather workers, and similar trades, but excluding the agricultural menial classes in village communities, who are attached to them and are generally paid in grain:—4 Rupees a year on retail-shop-keepers and small manufacturers, who work for local retail sale:—and 10 Rupees on wholesale traders, bankers, manufacturers, and professions. These rates of 1, 4, and 10 Rupees will be uniform, and apply to all of each class without any discrimination as to incomes or extent of business.

These licenses will be taken out at the beginning of each year, and thus a complete register will exist of trades, as we have at present of the occupiers of the land; and this will be no inconsiderable check against evasion under the income tax: for let me remark that whenever such evasion takes place, it forms an act of injustice to the rest of the community, and it is our special duty to take security against fraud of any kind. Then, with regard to the income tax measure, we propose that it shall apply to all incomes above 200 Rupees a year. Sir, the wider you can spread the incidence of your taxation, so long as a fair proportion is maintained as to the means of different persons, the more just it is as a whole. The security of the Government extends to all classes:—all classes, from the richest capitalist to the humblest labourer, as I have already shown you to-day, have shared, and must share, in the prosperity which good order and security can alone insure. But, Sir, we propose that incomes from 200 to 500 Rupees shall be taxed at a somewhat lower rate. This we do, because if, at the same rate, the double action of the license duty and of the income tax upon this class of incomes would be rather more severe than in other cases. We put incomes from 200 to 500 Rupees at 2 per cent. Sir, while we are mindful of the wants of the Central Government, we are not forgetful of the many pressing demands throughout India for local improvements. There is nothing that strikes a stranger so much as the great advantage which a little outlay would be in improving localities, and to this the trading facilities in Calcutta form no exception. On incomes above 500 Rupees, we propose a tax at the rate of 3 per cent. for the public treasury, and of 1 per cent. to be appropriated strictly to local purposes; and in regard to the appropriation of which, where municipalities exist, they will have a voice: the charge will be very small, and the good to be derived from such a contribution may be very great. In the United States, which boast of the freest Government in the world, a property tax is collected by the Government of each State of a considerable amount, and applied in part to general, and in part to local and municipal purposes. When I introduce the Bill, I will explain its provisions in detail, but in the meantime there are certain broad principles in it to which I think I ought now to refer. It will consist of four Schedules. No. 1 will include incomes derived from real property; No. 2, incomes from trades and professions; No. 3, incomes from the public funds; and No. 4, incomes from public salaries. The English Act contains five Schedules in place of four: the fifth, that is Schedule B, being applicable to farmers, a class which cannot be said to exist in India, for no one would dream of applying an income tax to the ryots—first, because there is no one who would not come within the exemption; and, next, because, by periodical revisions, their payment

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to Government is kept at a rack-rate. Otherwise, Sir, there is no exemption whatever of any class. I am aware that much discussion has taken place from time to time as to right to tax the zemindars and other intermediate proprietors under the perpetual land settlement. Sir, the Government have given their most attentive consideration to this claim of exemption, and I must say, the more I have looked into it, the more I am convinced that a more illusive claim could not be set up. But, in a matter in which the good faith of Government is concerned, it behoves us to be scrupulous, and to show at least the grounds for our decision. On what, Sir, does this claim chiefly rest? As far as I can discover, 10 on little more than an incidental expression in a despatch from the Court of Directors to the Government of India in 1792, enjoining economy on the latter, because the land revenue described as "the great and now almost the only source of revenue" had been fixed. Now, Sir, no one has ever denied and, I am sure, never will deny, that so far as 15 the rent of those lands goes that is fixed and unalterable as long as the conditions are complied with. But was it ever in the mind of Lord Cornwallis, when he proposed and made that settlement, that the fortunate owners of that part of India should be exempted from any general tax that the necessities of the State required? I will show you in his 20 own words that the very contrary was his intention. The settlement, as first made by Lord Cornwallis, differed in no respect from an ordinary settlement of land, except that it was made for ten years in place of being annual, as was then the practice. The Court of Directors approved that it should be made permanent, and Lord Cornwallis issued 25 a proclamation, fixing the ten years' settlement for ever. There is not one word as to exemption from taxes. No one can read the luminous Minutes of Lord Cornwallis upon the subject of this settlement without seeing that the only object he had at heart was to get rid of the uncertainty and insecurity which attended the tenure of the land, as held from year to 30 year, or in short periods. This, and this alone, runs through every passage of that remarkable and able controversy, if I may be allowed the expression, which took place between his Lordship and his most astute colleague, Mr. Shore. But that his Lordship never confounded what he was doing with a liability of the zemindar to be taxed for State purposes, 35 and that he regarded these two as entirely distinct questions, may be gathered from his Minute of the 3rd of July 1790, in which he says:—

"The supreme power in every State must possess the right of taxing the subject agreeably to certain rules; but the practice which has prevailed in this country for some time past, of making frequent valuations of the lands, and where one person's estate has improved 40 and another's declined, of appropriating the increased produce of the former, to supply the deficiencies in the latter, is not taxation, but, in fact, a declaration that the property of the landholder is at the absolute disposal of Government. Every man who is acquainted with the causes which operate to impoverish or enrich a country must be sensible that our Indian territories must continue to decline as long as the practice is adhered to. 45

The maxim, that equality in taxation is an object of the greatest importance, and that, in justice, all the subjects of a State should contribute as nearly as possible in proportion to the income which they enjoy under its protection, does not prove the expediency of varying the demand of Government upon the lands; on the contrary, we shall find that, in countries in which this maxim is one of the leading principles in the imposition of taxes, the valuation 50 of the land on which they are levied is never varied."

He afterwards adds, "It is evident therefore that, varying the assessment on the lands is not the mode of carrying into practice the maxim, that all the subjects of a State ought to contribute to the public exigencies in proportion to their incomes: and that other means must be employed for effecting this object."—*Minute, 3rd July 1790.* 55

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To my mind nothing can be more explicit as to his intention and meaning. He distinctly refers with approval to those countries where the taxes are levied in proportion to the income which each enjoys, as being perfectly consistent with a fixed valuation of the land on which they are valued. He could hardly have stated in more precise general terms that the zemindary assessment of rent should be fixed, but he must contribute an income tax levied on that land in proportion to his income, if general, and on the means of all others. Those who hold the same opinion that I do with regard to this subject have very properly referred to the land tax in England, which has long been commuted for a fixed rate, and in many cases redeemed; but no one ever dreamt of claiming exemption from the income tax on the score that it was indirectly a charge upon the land, because it was assessed upon the rents. But, Sir, we have a far stronger case of analogy in England. In every Loan Act, by which the huge National Debt has been contracted, there is the following distinct provision, that is, it is inserted in the 23 Geo. II, c. 16, and imported into every subsequent Act down to the loans for the Russian war :—

“ 23 Geo. II, c. XVI, Sec. IV.—And it is hereby enacted by the Authority aforesaid, that all and every contributor and contributors upon this Act, duly paying the consideration or purchase money at the rate aforesaid, at or before the respective days or times in this Act before limited in that behalf, for such annuity or annuities, as aforesaid, or such as he, she, or they may appoint, his, her, or their respective executors, administrators, successors, or assigns, shall have, receive, and enjoy, and be entitled by virtue of this Act, to have, receive, and enjoy the respective annuity and annuities so to be purchased out of the monies by this Act approved or appointed for payment thereof as aforesaid, and *shall have good and sure estates and interest therein for ever*, subject only to the proviso or condition of redemption, in this Act afterwards contained, concerning the same; and *that all the said annuities to be purchased on this Act, and the principal monies paid for the same, and every of them, during the continuance thereof, shall be free from all taxes, charges, and impositions whatsoever.*”

When Mr. Pitt first introduced his income tax and upon subsequent occasions there was much discussion as to the exemption of the funds under this clause. But, Sir, it was ruled that, in a *general tax upon income*, the exemption did not apply, however applicable it might be to any special tax upon the funds. Sir, the case of the Bengal zeminda is not near so strong: he had no promise of exemption whatever; yet to him I apply the same principle as was applied to the fundholder in England. I hold him to be exempt from any special charge upon his land, but to be liable to any general tax that applies to all others. And, Sir, I contend for this view as one of high and paramount policy, as well as of strict right. India has a great future before it under the firm but just administration of the Crown of England. The only nobility which India now has, or is likely to have, must chiefly be these wealthy owners of permanently settled estates, the whole improved value of which must go exclusively to them, while in all other parts of India the Government on the part of the public will share it. Well—but, Sir, are we to base a future policy upon the exemption from taxation of the richest and only privileged classes in India? Let any one read that remarkable volume by my late lamented friend, M. de Tocqueville, on the causes of the French Revolution, and he will understand how dangerous is such a policy. Let us, Sir, once and for all, determine this groundless claim upon which so much controversy has existed, and let us accept and adhere to the sound maxims laid down by Lord Cornwallis himself, “that all who enjoy the protection of the State must pay for it in accordance with 1860-61.]

their means." Sir, that is the only true policy of Government. But, again, some have, I am aware, also contended for an exemption on behalf of the fundholder. Now, I am at a loss to understand on what ground that claim can be put forward in India. There is no stipulation such as I have quoted as applying in England, and yet even there no exemption 5 is allowed. I certainly would never consent to be a party to place a *special* tax on the funds, because indirectly that would be reducing the obligation of the State; but in the case of a general tax, no such argument applies; and, Sir, when I reflect that the great object of the effort that we are now making is to improve the credit of the State, and as a consequence 10 to raise the value of the securities held by the public, I must say, that, as a class, the fundholders ought to accept this tax more cheerfully than any others. Well—but, Sir, I have yet to notice one further claim which has been made for exemption, so utterly untenable that I should not have even alluded to it unless I had seen it cropping out in official docu- 15 ments as being encouraged by gentlemen of influence. Sir, I refer to this with the deepest regret. But it is my duty to do so. Sir, our fellow-subjects in Madras and Bombay claim exemption from increased taxation. And on what ground? It seems incredible. Because they say our financial difficulties have been occasioned by the Mutiny: the 20 Mutiny took place in Bengal; and therefore we in Madras and Bombay are not liable for its consequences. Sir, are we all one people, one united dependency under our Gracious Queen, or are we not? Was the Sepoy Army maintained for local or for imperial purposes? What would be said in England if, unfortunately, a portion of the British Army had mutinied 25 in Ireland, had encouraged and led to insurrection, had caused great cost to the imperial exchequer, and when Parliament was applied to for means of discharging it, the Members from Scotland had objected and claimed exemption for themselves, on the ground that the cost was incurred in Ireland? But let us ask our friends in Madras and Bombay to 30 consider to what logical conclusion their argument would lead? If they are to be exempt, are those only to be subjected to the penalty who, unfortunately living near the scene of those occurrences, had not only all their earthly property destroyed by fire, but who suffered far more serious losses by the sword? Surely not. But who then? The guilty sepoys 35 alone? That is the logic—a logic which, if applied to Government, would show that the whole cost of the criminal law should be defrayed by the convicts who fill our jails. Sir, I sincerely trust we shall not again be met with this argument. The Supreme Government of India is as much the Government of Bombay and the Government of Madras as it is the 40 Government of Bengal. Our duty, and that of this Council, is the same to all alike. We want greater combination and unity, not greater severance—that is the end to which we direct our aim. But, Sir, if all this were not so, if we were to settle accounts on nothing but arithmetical rule, how stands the case? Notwithstanding the fact that, from the 45 Calcutta Treasury is paid the whole of the interest of the debt and many other imperial charges, yet what do I find? I have told you that the Indian deficit of the present year is £4,063,809. How is that distributed? In round figures the sum of £1,500,000 applies to Bengal, and that of £2,500,000 to Bombay and Madras. Again, if I compare the 50 increase of Military charges alone in the three Presidencies at the present

moment, as compared with 1856-57, the increase in Madras and Bombay is as great as it is in Bengal. And if I compare the number of troops according to a return recently furnished to me in 1857, and at the close of 1859, in the different Presidencies, I find the increase in Bengal barely five
5 per cent., while in Madras it is fifty per cent., and in Bombay thirty per cent. But I should say these returns do not include the Military Police, the Civil Corps, and New Levies in Bengal, nor the new Police in Madras: they are confined to the troops under the Commander-in-Chief of each of the three Presidencies. But, Sir, I am ashamed to argue this question upon such
10 small and sectional grounds. We are one united great dependency under the same Sovereign, and we have one clear duty before us—to unite with all our efforts and all our means in maintaining Her Empire prosperous and inviolate. The bane of India has been these sectional principles and pretensions. Let us see an end to them, and feel that we are all one for
15 weal or for woe. But returning to the Bill, I wish to make one remark as to the mode in which we propose to charge the zemindars, who are subject to periodical revisions. We desire in every way to make the operation of the Bill as simple as possible; as a rule, the whole of the North-West Provinces have been settled in the proportion of sixty-six
20 per cent. to the Government and of thirty-four per cent. to the zemindar: that is the old rule. The new rule, which has scarcely yet come into operation, is fifty per cent. to each. But, taking the actual proportions of sixty-six and thirty-four per cent., we propose to assess the zemindars at one-half the rent they pay to the Government as their profits
25 in respect of land. By this arrangement, simple and easy in its application, all zemindars who do not pay to Government 400 Rupees a year will be exempt. We are quite aware that in practice, very few zemindars in the North-West will pay income tax, and when we consider their relation to the land, and that their payments are always subject to
30 revision, we think their exemption falling under a fair and general rule is not to be regretted. But the same measure of profits will obviously not apply to the perpetual settlement. As to the general provisions of the Bill, I would say that our aim has been to make it as nearly the same as that of England, as the difference of circumstances would permit. In
35 this I have had the valuable aid of our most able and learned Advocate General. I have carefully gone over the English Bill, and the regulations by which it is carried out, Clause by Clause, with Mr. Ritchie, to whom I beg to express my warmest acknowledgments, and adapted our scheme as nearly as possible to it. We have been most careful to pre-
40 serve all the checks in favor of secrecy:—we impose the same oaths for that purpose upon all our officers:—we furnish a special commission to whom traders may apply to be assessed, without their returns going through the general commission and public office. There is not one protection which the English Bill affords which will not be found in ours.
45 But, Sir, there is an entirely new provision and one of the utmost importance. As you know, the great difficulty in respect to an income tax in India is in relation to the traders in the native towns:—we are desirous in every way of avoiding inquisitorial practices, we wish to avoid the necessity of exhibiting accounts and books. Our general provision in
50 the Bill for assessing profits is the same as the English Bill, by voluntary returns made by the traders to the Commissioners to their satisfaction.

But we propose to allow the Government to approve of any other method of assessment which may be proposed by the Commissioners of any district as more in accordance with the habits and wishes of the communities, provided always they are satisfied that the result will be fair. By this means we hope to shape the practical working of the tax through the aid of Panchayets, and by using largely the instrumentality of the heads of towns and trades under the supervision of our own officers, so as to make it of comparatively easy operation. All that I need now say further is, that every possible means will be used to avoid undue interference in any way whatever. Another most important provision which we make is this. In order to avoid the annoyance of annual assessments, we give power to the Commissioners to compound for a fixed sum for the whole period of five years, or for any number not less than three. This provision, I have reason to believe, will be very satisfactory to the Native traders and capitalists in particular. There is such a provision in the English Act. The only other tax that we propose is a duty on home-grown tobacco, to an amount as nearly corresponding with the import duty as possible. I am aware there has been much discussion in respect to this duty: I am aware that opinion is not altogether unanimous upon the subject, but it is very nearly so: and the objections of those who have opposed it have been confined chiefly, I think, to the difficulty of levying it. Sir, when a Minister in England complains of the difficulty of a task, he is not unfrequently told that he occupies his high office for the purpose of overcoming difficulties—let us accept the same obligation. I hope within a short time, when my hands are less full, to offer a measure to this Council, which it will approve for this purpose. But here, again, I must offer an observation with reference to the pretensions set up by the perpetual settlement landholders. It is said on their behalf that you cannot tax tobacco in its cultivation, because that would indirectly be increasing the rent of land. Sir, whether this is the best mode of levying the duty, I do not stop now to enquire, but at least I cannot accept this argument against it. What would be said in England if a farmer who held Crown lands at a fixed rent for 30 years—and if the argument is good at all, it would equally apply in this case—were to seek exemption from the tax on barley malted, because it indirectly raised his rent? Sir, I entirely agree with the able minutes of the distinguished Lieutenant Governor of Bengal (Mr. Grant) upon this subject as to the matter of right; and I hope that now and for ever all these pretensions on behalf of that fortunate class will be put to rest.

These, Sir, are all the taxes the Government propose, and I trust I may say that they cannot at least be found fault with, as in any way infringing the rules which I laid down for our guidance. I hope I may say that they are equitable and just to all alike; that they infringe no principle of wise legislation; that they offer no impediment to future development:—I hope, upon the whole, that we may rather take credit for removing some existing impediments to industry and trade. But, Sir, moderate as our proposals may be, and based, as they are, upon perfect equity and upon undoubted necessity, we cannot expect them to be received without some opposition:—some may even think of risk and danger. But even though this were the case, in the apprehension of which I do not share, it is our duty to incur it: certain it is that as we

are, we are incurring the greatest danger from the deranged state of our finances, and we should be shrinking from the imperative duty we owe to the State and to the people of India if we did not use every means in our power to apply an adequate remedy; and, Sir, I cannot help thinking that when the case is well understood, when the perfect equity of our proposals are known, when it is understood that every public servant of the Crown, from the Governor General downward, will contribute equally his share to their taxes, and when if I may take so great a liberty to assume from the liberal manner in which Her Majesty the Queen acted in respect to the income tax in England—if even Her Majesty does not contribute, it is only because she, unlike any other Sovereign who ever reigned over India, does not exact from her subjects one single Rupee for her own uses. I say then, when all this is considered, I would fain hope that our proposals may prove as acceptable as we can ever expect taxes to be.

Sir, for your sake and my own, I wish I could now conclude, but there are two points upon which it is imperative I should make some observation. First, I shall fairly be asked what we expect to receive as the result of these taxes, and how far they will succeed in repairing our financial position. Sir, fortunately for India, but unfortunately for my present purpose, there is absolutely no data upon which any reliable calculation can be made. So entirely exempt has India hitherto been from taxation that we have no means of making a computation. But this I will say, that we are not sanguine enough to expect that these taxes alone will cover our deficiency:—for we should indeed think that we failed in our duty if for that purpose we had relied exclusively upon new taxes:—we shall still have left a large margin, for which we must rely upon the economy which we can secure by retrenchment of expenditure and administrative reform, for both of which we admit that there is ample room.

Sir, in considering the sources where we may look for reduction of expenditure, I am bound to say that we do not see any ground for expecting much with respect to the civil administration of India. When it is considered that the imperial expenditure of India includes much, if not all, of the whole local Government of India, which in other countries is usually defrayed from local funds, I believe it will be found that in no other country is the civil administration conducted at so small a cost. We do not believe that this part of our Government can be reduced in cost. We rather incline to think that it is more likely to be increased by improved Courts of Justice, by means for education, and by a stronger administration in the country as local interests become developed. We believe that great improvements may be made in the constitution of our offices, and many anomalies even in the existing scale of remuneration: but, on the whole, we look for no reduction on this score. What we want is an organisation which will give a more efficient development to the great talent which undoubtedly does abound in the Indian Civil Service at this time.

But, Sir, if we turn to our Military Departments, we are sanguine that a great reduction can be made, not indeed in the pay and emoluments of either the officers or the men, but in numerical strength, by a better distribution of our forces, by control in our Commissariat and Military expenditure, which at present as a whole is weak and diffuse, and by reducing our Army Finance to order. Sir, I may only refer to the entire 1860-61.]

uncertainty which at the present moment prevails as to the present or future expenditure under these heads;—I may even say of past expenditure for a year or two after the time, to show you how imperatively this reform is demanded; and we look for great assistance in this respect from the able Military Financial Commission which is now investigating these 5 questions, and from whose labours we have already derived much benefit. Again, it would not be right if I did not here acknowledge in the strongest terms the public spirit which both Lord Clyde and General Mansfield have shown in affording us every advice and assistance in their power in order to effect the objects we have in view. Sir, we believe 10 that the first thing to be done as the great foundation of Military reform is to relieve the army of all ordinary civil duties, such as prison guards, treasure guards, and treasure escorts; and this can only be effected by the establishment, upon a sound principle, of a general police force, sufficiently flexible to be adequate for all the *quasi* Military duties to which I 15 have just referred, to be able to act in small masses to quell disturbances within their own districts, and to act generally in small detached bodies throughout their districts for purely civil ordinary police purposes, under the direct control of European Officers, but the whole subject to the civil power as the police now is, and to contain within the force the picked men 20 set apart for detective purposes. Sir, with such a police established, such nearly as Lord Harris proposed before he left Madras, and which Sir C. Trevelyan is now organising, I believe the numerical force of the whole army may be quickly reduced, and especially that of our Native Army. Sir, there never was before a period at which I believe the army 25 could with perfect security be so much reduced if we only can dispense with whatever may yet be doubtful among our Native Troops. Our frontiers are now all well defined, and of themselves, with slight exception, offer a natural barrier. The Native States within India are not only on the best terms with us, but their interests are so much now bound up 30 with our own that we have perfect security there. The people themselves are peaceful and tranquil, and only wish to be permitted to follow their calling in security. They have obtained a terrible lesson from the anarchy which prevailed wherever, for however short a time, British authority was suspended; and, lastly, Sir, the Sepoy Army—which so long has 35 been our real danger in India, which so long has been, if not a standing menace, at least a standing source of apprehension to our farthest seeing statesmen—has at last dissolved itself: an army petted and spoiled by indulgences inconsistent with discipline—a close body, self-recruited by the men themselves with brothers and cousins, and relatives, of which 40 many understood the danger, but which none had the boldness to incur the risk of dealing with: that army has disappeared and is blotted out. Sir, this Frankenstein, which at one time was only alluded to, in bated breath and in a whisper, when it was discussed as a source of insecurity, has committed suicide, and can be spoken of openly, and all its errors, 45 exposed. I hope the example it has set, the experience it has given us, will never be forgotten. Our local European Army also is gone. Sir, I fear that, however able and gallant many of our local Officers have proved themselves, however much they may have entitled themselves to the gratitude and admiration of their country, I fear, Sir, we must own 50 that the Government of India has been as unfortunate in its military,

as it has been in its financial system. To go into the question of the Army as it affects at present our finances would be a subject so large that it would occupy me nearly, if not quite as long, to do justice to it as I have now already detained you.

5 But, Sir, there is one point upon which I must remark. Until we have one central point of responsible control of Army finances, as of all others, established, it will be in vain to expect great reduction. Our first course must be to consider carefully what force is sufficient, and not more than sufficient. Our next point must be to have carefully revised
10 estimates, what is here improperly called a Budget System, for Military and all other charges, submitted to the Supreme Government annually, as they are in England to Parliament, to sanction only what is necessary, and strictly to keep every province and every department within their limits. Till you have this central financial and revenue control, it is in
15 vain to look for economy—when you have it, you may safely give much greater executive responsibility to local authority. Sir, in England there is more local Government than in any country in the world; but there is no country where the central authority and control of the Government itself is so strong. And, I will add, that it will be in vain that we make
20 improvements and reforms in our finances if these administrative reforms do not take place. You must rely upon a sound system if you will have permanency, and not upon any individual, especially in a country where individuals change so rapidly. Sir, this is nothing new. You have had Finance Commissions over and over again. What have they done? In
25 looking over the archives of the Government of India, I must say that the minutes left on record of no Governor General have struck me with more force than those of Lord Ellenborough, and they have induced me to regret that his stay in India had not been longer. That noble Lord is a distinguished member of a great party, always opposed to that with
30 which I have had the honor of acting, and my testimony may therefore be regarded as impartial. Sir, that noble Lord saw and understood the evil of which I speak: he warned the Court of Directors of it. On the 7th of August 1842 he wrote as follows:—

“But I cannot withhold from the Honorable Court the expression of my decided and
35 long formed opinion, that whatever diminution may be made by my exertions in the amount of expenditure will only be of a temporary character, without an entire change in the Financial Department, and some very material modification of the system of carrying on the Government. There is now no one Officer charged with the duty of viewing the expenditure of the State as a whole, and of considering every proposed or existing item of charge
40 not by itself only, but with reference to the total charge upon the revenue.

“Without this concentration of duty and authority in a really responsible Officer, I have no hope of giving permanence to the influence of economical principles in the Financial Administration of India, or of even dealing satisfactorily with the details of expenditure.”

Sir, this is exactly what I would say now. No doubt an attempt
45 was made, but most feebly, to supply a remedy. A financial department was created, I think in 1843 or 1844, but without any real power or responsibility. Sir, you cannot exact responsibility without giving power, and you ought not to give power without exacting responsibility. Will it be credited that the officer who had to administer the finances was
50 confined to the disbursement of public money without either power or even cognisance in any shape of the revenue by which the treasury was to be supplied. Sir, we are now engaged in applying a remedy to this anomaly. In order to show how much our Army Expenditure is capable
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of reduction, I have only to compare the expenditure of the current year with that of 1856-57, for Army, Military Police, New Levies, Police and Military Public Works. The cost in the last four years for all India was—

1856-57 ...	£ 13,213,454
1857-58 ...	£ 17,215,674
1858-59 ...	£ 24,717,638
1859-60 ...	£ 21,732,681

5

Sir, I have been pressed to urge upon the Home Government the propriety of giving an Imperial guarantee for the Indian debt as a means of reducing our Indian expenditure. This is a request which I could 10 not consistently advise you to make—it is one which I could not advise the Home Government to accede to. With nations, as with individuals, the measure of the credit is not a question of arithmetical calculation. It lies far deeper. It is a measure of their prudence, of their good management—it acts as a check upon improvidence, and often induces to great 15 reforms, which but for necessity would be neglected. I have said that England has never exacted tribute from India as a dependency. I think she ought not to be asked to pledge the credit of her Exchequer for us; for if for us, why not for Canada, which has a 6 per cent. debt?—why not Australia, which has a 6 per cent. debt?—why not the Cape—why 20 not for all our Colonies? I sincerely believe that we shall best consult the real interests of India, that we shall be more likely to recover a good position and to maintain it, if we keep our finances altogether separate from those of the Home Government.

Sir, I have been asked, as I said before, what result we expect from 25 our increased taxes and from our reduced expenditure. We hope in the course of time to make both ends meet; our aim of course is to produce an equilibrium; but I must remind you that some time, the greater part of a year, must elapse before our taxes can become fruitful, and before our reductions of expenditure and reformed systems can begin to tell. In 30 the meantime, however, our balances in the Exchequer are large; larger than they have been since 1853; and larger by upwards of six millions than on the 30th of April last year. In India and at Home I expect our balances on the 30th April next will be about £19,600,000 against £13,398,000 last year, and therefore, even though our new taxes should 35 be dilatory in coming in, and the reductions of expenditure some time before they are felt, I trust we may be able to go on without any further resort to borrowing, at least for a time; and I hope that, if we continue to be blessed with peace when these measures are carried into full effect, that we may be saved the necessity of having resort so constantly to the 40 money market, as unfortunately in the past has been the case.

Sir, I offer you a deep apology for the unusual time that I have occupied your attention; but the subjects were so vast, the topics so important, the interests at stake so grave, the measures proposed so novel 45 in this Council, that I should not have done my duty if I had not used all the means within my reach, inadequate as they are, to recommend them to you and the public, whom they chiefly concern. Sir, what we have proposed has been after the gravest consideration—prompted by the best motives and the most earnest desire to promote the lasting welfare of India and of our native fellow-subjects; and having done this in the 50 conscientious performance of our public duty, in the high and responsible

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offices we hold, it will rest with us, should we receive your support, to exert all our executive ability and power to give effect to them. We shall be patient to hear and to weigh objections to detail; we shall be anxious to give our best consideration to all suggestions for improvement of our
5 plans; but, in the main, we think that the crisis is so serious that the time for argument and discussion has passed, and that the time for energetic action has come. Sir, we wish scrupulously to regard the strict rights of every man. Whatever we do shall be based upon the strictest equality between class and class, whether Europeans or Natives, whether
10 official or non-official; and trusting to a firm administration upon these principles, relying upon the support of all lovers of good order, we hope through your assistance, and by the aid of a public, in whom we have now shown unreserved confidence, that we may be the humble instruments, in the hands of a higher power, to restore to India that security for future
15 prosperity and happiness which she can hardly be said now to enjoy.
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APPENDICES.

INDIA.

An Account of the Estimated Gross Public Income and Expenditure of India in the Year ending the 30th April 1860.

INCOME.	£ @ 2s. the Rupee.	EXPENDITURE.	£ @ 2s. the Rupee.
Revenue, Land, Sayer and Abkarree ...	.....	Cost of Collection of Revenue, comprising Charges, Collection of Land, Sayer, Abkarree, Customs, Salt, Opium, Post Office and Stamp Revenue, also payments other than Charges, Collection, and Territorial and Political Pensions and Allowances to District and Village Officers and Eamandars, including Charitable Grants ...	.....
Customs, exclusive of Duty on Salt ...	.....	CHARGES ON REVENUE.	7,317,845
(Sales and Excise ...	3,032,049	Interest of Debt in India ...	.....
Salt ... { Duty on Salt imported into Calcutta ...	750,000	Military Charges in India, including Extra Levies, and Local Corps and Repairs and Construction of Buildings ...	8,035,667
Opium ...	.....	Stores from England charged in the Indian Accounts ...	18,460,240
Miscellaneous ...	.....	Marine Charges in India, including Public Works Charges ...	1,004,920
Receipts from Railway Companies on account of Traffic in India ...	.....	Stores from England charged in the Indian Accounts ...	816,645
Excess of Expenditure over Income in India ...	.....	Civil Charges in India, including Civil and Political Establishments, Judicial and Police Charges, and Charges for Buildings, Road and other Public Works, except Military and Marine ...	103,660
		Stationery, Mint and other Stores from England charged in the Indian Accounts ...	8,898,890
		Miscellaneous Charges in India ...	292,176
		Interest to be paid in India on Railway Capital guaranteed ...	.....
			9,191,060
			1,839,981
			41,770,018
			50,000
			£ 41,820,018

Debt of the Government of India.

On the 30th April.	In India.	In London.	Total.	Interest payable.
	£	£	£	£
1834	37,827,715	3,523,237	41,350,952	1,959,594
1835	36,250,297	3,523,237	39,773,534	1,908,716
1836	31,821,118	3,522,925	35,344,043	1,638,589
1837	32,433,329	3,522,825	35,956,154	1,679,401
1838	32,266,553	1,734,300	34,000,853	1,589,112
1839	32,246,573	1,734,300	33,980,873	1,574,762
1840	32,750,696	1,734,300	34,484,996	1,596,631
1841	34,187,827	1,734,300	35,922,127	1,673,795
1842	36,670,173	1,734,300	38,404,473	1,799,824
1843	38,744,340	1,734,300	40,478,640	1,904,863
1844	40,149,150	2,299,600	42,448,750	1,962,855
1845	41,203,150	2,299,600	43,502,750	2,013,688
1846	41,592,249	2,299,600	43,891,849	2,032,391
1847	44,584,626	2,799,600	47,384,226	2,218,438
1848	45,957,614	3,899,500	49,857,114	2,337,529
1849	47,151,019	3,899,500	51,050,519	2,416,888
1850	50,035,268	3,899,500	53,934,768	2,525,111
1851	51,199,815	3,899,500	55,099,315	2,562,811
1852	51,215,193	3,899,500	55,114,693	2,548,465
1853	52,313,094	3,899,500	56,212,594	2,593,031
1854	49,762,876	3,894,500	53,657,376	2,250,183
1855	51,615,927	3,894,400	55,510,327	2,330,551
1856	53,848,927	3,894,400	57,743,327	2,439,058
1857	55,546,652	3,894,400	59,441,052	2,525,375
1858	60,704,084	8,769,400	69,473,484	3,027,701
1859	66,228,007	14,649,000	80,877,007	3,628,612
1860	71,202,807	26,649,000	97,851,807	4,461,029

Memo. of Surplus or Deficit in the Revenues and Charges of India (including Home Charges) from 1814-15 to 1859-60.

The entry for 1829-30 is taken from the Accountant General's Annual Report for that year. The entry for 1859-60 is according to the Regular Estimate. The rest of the entries are taken from the Parliamentary Returns.

YEAR.	Surplus.	Deficit.	REMARKS.
	£	£	
1814-15		102,992	} Nepal and Mahratta Wars.
1815-16	.....	1,039,546	
1816-17	.....	369,005	
1817-18	.....	792,665	
1818-19	.....	1,380,059	
1819-20	.....	1,761,664	
1820-21	117,262		} First Burmese War and the Siege of Bhurtpoor.
1821-22	610,698	.....	
1822-23	1,743,139	.....	
1823-24	.....	847,091	
1824-25	.....	2,961,147	
1825-26	.....	4,953,918	
1826-27	.....	2,396,320	
1827-28	.....	3,151,144	
1828-29	.....	927,629	
1829-30	1,070,534	.....	
1830-31	109,199		} Afghan, Scind, and Gwalior Wars.
1831-32	.....	207,581	
1832-33	.....	264,332	
1833-34	49,398	.....	
1834-35	.....	194,477	
1835-36	1,441,513	.....	
1836-37	1,248,224	.....	
1837-38	780,318	.....	
1838-39	.....	381,787	
1839-40	.....	2,138,713	
1840-41		1,754,825	} First Sikh War.
1841-42	.....	1,771,603	
1842-43	.....	1,346,011	
1843-44	.....	1,440,259	
1844-45		743,893	} Second Sikh War.
1845-46	.....	1,496,865	
1846-47	.....	971,322	
1847-48	.....	1,911,986	
1848-49		1,473,225	} Second Burmese War.
1849-50	354,187	.....	
1850-51	415,443	.....	
1851-52	531,265	.....	
1852-53	424,257		} Second Burmese War.
1853-54	.....	2,044,117	
1854-55	.....	1,707,364	
1855-56		972,791	
1856-57		143,597	
1857-58		7,864,222	
1858-59		13,393,137	
1859-60		9,290,129	

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Value of the Imports into British India from the United Kingdom and other Countries in each year from 1834-35 to 1858-59.

YEAR.	MERCHANDISE.			TREASURE.
	From United Kingdom.	From other Countries.	Total.	
	Rupees.	Rupees.	Rupees.	Rupees.
1834-35 ...	2,68,22,216	1,57,88,849	4,26,11,065	1,89,30,233
1835-36 ...	3,13,54,106	1,64,64,372	4,78,18,478	2,14,64,651
1836-37 ...	3,83,05,042	1,70,64,860	5,53,69,902	2,03,61,672
1837-38 ...	3,21,06,633	1,82,18,078	5,03,24,711	2,64,01,013
1838-39 ...	3,50,59,300	1,73,47,467	5,24,06,767	3,01,09,195
Average of 5 years ...	3,27,29,459	1,69,76,725	4,97,06,184	2,34,53,352
1839-40 ...	4,28,94,892	1,54,17,476	5,83,12,368	1,94,52,642
1840-41 ...	6,01,43,398	2,40,16,007	8,41,59,405	1,78,62,533
1841-42 ...	5,43,95,648	2,34,90,005	7,78,85,653	1,84,13,353
1842-43 ...	5,35,49,012	2,24,87,017	7,60,36,029	3,44,32,916
1843-44 ...	6,34,73,490	2,47,04,484	8,81,77,974	4,79,46,781
Average of 5 years ...	5,48,91,288	2,20,22,997	7,69,14,285	2,76,21,645
1844-45 ...	7,95,21,795	2,80,18,864	10,75,40,659	3,75,24,718
1845-46 ...	6,47,71,431	2,61,03,363	9,08,74,794	2,49,59,586
1846-47 ...	6,42,04,045	2,47,62,600	8,89,66,645	2,93,99,224
1847-48 ...	5,79,02,284	2,80,73,886	8,59,76,170	1,97,33,914
1848-49 ...	5,51,21,104	2,83,26,938	8,34,48,042	4,20,45,033
Average of 5 years ...	6,43,04,131	2,70,57,130	9,13,61,262	3,07,32,495
1849-50 ...	7,57,89,807	2,72,09,079	10,29,98,886	3,39,68,074
1850-51 ...	8,28,71,447	2,73,69,413	11,02,40,860	3,55,69,070
1851-52 ...	9,13,20,777	2,56,49,409	11,69,70,186	4,44,92,132
1852-53 ...	7,18,45,407	2,38,03,895	9,56,49,302	6,09,01,310
1853-54 ...	8,41,13,995	2,78,33,472	11,19,47,467	4,87,74,801
Average of 5 years ...	8,11,88,286	2,63,73,053	10,75,61,340	4,47,41,077
1854-55 ...	9,76,57,483	2,93,46,409	12,70,03,892	2,02,89,424
1855-56 ...	10,89,08,096	2,93,96,354	13,83,04,450	11,29,38,487
1856-57 ...	11,29,33,550	2,75,48,373	14,04,81,923	14,39,84,889
1857-58 ...	11,64,64,352	3,23,80,575	14,88,44,927	15,69,31,324
1858-59 ...	16,85,69,087	4,50,95,392	21,36,64,479	12,70,11,249
Average of 5 years ...	12,09,06,513	3,27,53,420	15,36,59,934	11,22,31,074

Value of the Exports from British India to the United Kingdom and other Countries in each year from 1834-35 to 1858-59.

YEAR.	MERCHANDISE.			TREASURE.
	To United Kingdom.	To other Countries.	Total.	
	Rupees.	Rupees.	Rupees.	Rupees.
1834-35	3,05,69,730	4,93,64,473	7,99,34,203	19,47,407
1835-36	3,97,53,038	7,13,11,917	11,10,64,955	10,81,093
1836-37	4,91,54,702	8,32,47,130	13,24,01,832	26,39,340
1837-38	4,35,38,221	6,88,89,580	11,24,27,801	34,06,563
1838-39	4,51,31,593	7,26,16,100	11,77,47,693	34,79,058
Average of 5 years ...	4,16,29,456	6,90,85,840	11,07,15,296	25,10,692
1839-40	5,96,99,519	4,89,27,937	10,86,27,456	47,05,231
1840-41	7,05,43,881	6,40,11,961	13,45,55,842	36,64,859
1841-42	7,12,07,484	6,70,44,692	13,82,52,176	51,50,757
1842-43	5,82,09,658	7,73,08,588	13,55,18,246	21,57,966
1843-44	7,76,01,283	9,49,33,489	17,25,34,772	74,60,763
Average of 5 years ...	6,74,52,365	7,04,45,333	13,78,97,698	46,27,915
1844-45	7,24,06,197	9,34,95,927	16,59,02,124	1,10,68,402
1845-46	6,65,89,433	10,36,97,303	17,02,86,736	81,60,284
1846-47	6,51,16,865	8,84,37,510	15,35,54,375	71,38,696
1847-48	5,68,38,267	7,62,85,703	13,31,23,970	1,42,60,380
1848-49	6,19,19,593	9,89,65,425	16,08,85,018	2,53,97,425
Average of 5 years ...	6,45,74,071	9,21,76,373	15,67,50,444	1,32,05,037
1849-50	7,02,64,706	10,28,58,287	17,31,22,993	97,12,441
1850-51	7,00,70,203	5,86,11,103	12,86,81,306	37,72,015
1851-52	6,27,72,181	7,17,44,519	13,45,16,700	69,47,656
1852-53	7,02,25,901	6,87,02,845	13,89,28,746	37,98,357
1853-54	6,57,74,650	10,39,55,307	16,97,29,957	80,93,027
Average of 5 years ...	6,78,21,528	8,11,74,412	14,89,95,940	64,64,699
1854-55	6,65,26,859	10,28,99,108	16,94,25,967	96,99,057
1855-56	8,92,06,633	11,32,97,939	20,25,04,572	57,99,399
1856-57	8,70,43,498	13,04,65,709	21,75,09,207	1,24,27,398
1857-58	9,71,17,029	15,29,39,034	25,00,56,063	81,94,372
1858-59	9,92,25,965	17,06,65,038	26,98,91,003	64,10,062
Average of 5 years ...	8,78,23,996	13,40,53,365	22,18,77,362	85,06,057

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Statement showing the number of Estates sold in the permanently settled Districts of the Lower Provinces from 1834-35 to 1858-59.

YEAR.	No. of Es- tates sold.	Sudder Jumma or Rent.	Average Sud- der Jumma per Estate.		
		Rupees.	Rupees.		
1834-35	953	4,81,403	505	<i>Average of 7 years.</i>	
1835-36	844	9,50,608	1,126½		
1836-37	1,774	5,81,902	328	No. of Es- tates.	Sudder Jumma.
1837-38	1,101	7,89,436	717		
1838-39	1,133	5,36,677	473½	1,097	5,67,515
1839-40	1,011	3,37,514	333½		
1840-41	625	1,80,918	289½		
1841-42	759	2,75,754	363½		
1842-43	762	2,60,492	341½		
1843-44	947	1,69,299	178½		
1844-45	658	1,53,683	233½		
1845-46	745	2,12,859	285½		
1846-47	1,435	1,35,188	94		
1847-48	1,204	3,07,816	255½		
1848-49	1,117	3,07,253	275		
1849-50	1,508	2,13,923	141½		
1850-51	1,218	5,79,086	464		
1851-52	925	1,30,189	140½		
1852-53	854	95,874	112½		
1853-54	697	1,14,608	164½		
1854-55	583	71,356	122½	<i>Average of 7 years.</i>	
1855-56	495	38,364	77½		
1856-57	549	68,219	115	No. of Es- tates.	Sudder Jumma.
1857-58	556	59,371	106½		
1858-59	494	14,493	29½	604	65,926

Total Income and Expenditure of each Division of Territory, 1856-57 to 1859-60.

	INCOME.					EXPENDITURE.			
	1856-57.	1857-58.	1858-59.	1859-60.		1856-57.	1857-58.	1858-59.	1859-60.
Government of India ... }	Co.'s Rs. 3,01,91,798	2,08,17,737	2,75,38,310	Estimated. 3,41,04,886	Government of India ... }	Co.'s Rs. 11,00,63,623	13,64,25,088	18,88,88,417	Estimated. 17,41,47,672
Bengal ... }	11,05,91,357	12,37,35,696	12,45,44,154	12,65,77,902	Bengal ... }	4,06,12,856	4,32,55,198	4,29,53,464	4,33,16,349
North-Western Provinces ... }	5,27,40,232	3,94,55,896	5,46,42,592	5,53,25,000	North-Western Provinces ... }	2,22,15,001	2,31,77,535	2,68,50,465	2,41,25,000
Punjab ... }	2,77,89,032	2,44,86,551	2,89,30,024	2,91,76,500	Punjab ... }	2,22,03,162	1,62,87,030	2,01,98,351	1,92,01,600
TOTAL ...	22,13,12,419	19,89,95,880	23,56,55,080	24,51,84,288	TOTAL ...	19,50,94,642	21,91,44,851	27,88,85,697	26,07,90,621
Bombay ...	5,40,50,996	6,08,16,431	6,15,36,719	6,86,97,400	Bombay ...	5,62,41,859	6,63,10,212	8,10,92,072	8,12,60,160
Madras ...	5,76,70,497	5,66,20,366	6,24,58,383	6,31,80,400	Madras ...	5,66,54,248	6,61,01,114	7,49,72,479	7,56,49,400
GRAND TOTAL...	33,30,33,912	31,64,32,677	35,96,50,182*	37,70,62,088	GRAND TOTAL ...	30,79,90,749	35,15,56,177	43,49,50,248*	41,77,00,181

30th January 1860.

(Signed) C. HUGH LUSHINGTON.

* With reference to the years 1858-59, the accounts of actuals in that year have been received from the several Accountants in the Financial Department, but the general account is not yet completed in that Department. It is believed, however, that the above result will be found nearly correct.

Amount of Charges for Military, Civil Corps, New Levies, Police, and Military Public Works, stated separately as far as they can be, for the years 1856-57, 1857-58, 1858-59, and estimated 1859-60.

GOVERNMENTS OF INDIA, BENGAL, N. W. PROVINCES, AND PUNJAB.

	1856-57.	1857-58.	1858-59.	1859-60.
	£.	£	£	£
Military ...	5,973,784	8,524,561	11,477,220	8,202,380
Civil Corps,—Oude, Pegu, &c. ...	273,733	132,404	135,802	144,100
New Levies ...	256,783	483,374	1,393,657	1,430,860
Police ...	764,616	697,970	1,461,946	1,370,150
Total ...	7,268,916	9,838,309	14,468,625	11,147,490
Military Public Works ...	174,718	178,871	769,260	1,281,930
Total ...	7,443,634	10,017,180	15,237,885	12,429,420
<i>Bombay.</i>				
Military ...	1,879,895	2,568,726	3,767,941	3,927,365
Civil Corps ...	171,086	210,250	243,328	281,430
New Levies ...	.....	.....	.....	.....
Police ...	357,299	374,663	327,227	305,304
Total ...	2,408,280	3,153,639	4,338,496	4,514,099
Military Public Works ...	80,347	73,465	175,361	110,650
Total ...	2,488,627	3,227,104	4,513,857	4,624,749
<i>Madras.</i>				
Military ...	3,005,283	3,653,450	4,633,774	4,303,030
Civil Corps ...	.....	...	.....	.....
New Levies ...	.....	...	.....	.....
Police... ...	156,418	177,496	204,411	240,057
Total ...	3,161,701	3,830,946	4,838,185	4,543,087
Military Public Works ...	119,492	140,444	127,711	135,425
Total ...	3,281,193	3,971,390	4,965,896	4,678,512
Total, exclusive of Public Works	12,838,897	16,822,894	23,645,306	20,204,676
Grand Total, inclusive of Public Works ...	13,213,454	17,215,674	24,717,638	21,732,681

Total Annual Expense of the Military Force of India, in each year from 1834-55, according to the Annual Military Statements received from India.

YEAR.	Buildings, Works and Stores and other Milita- ry Charges.	Total.	REMARKS.
	£	£	
1834-35	1,164,692	7,041,162	These entries are taken from the Statement annexed to the Report from the Select Committee on Indian Territories, dated 25th June 1852, and include charges on account of Military Buildings.
1835-36	1,156,005	6,847,096	
1836-37	1,302,242	6,885,851	
1837-38	1,422,019	7,141,439	
1838-39	1,239,100	7,607,514	
1839-40	1,461,461	8,454,208	
1840-41	1,372,353	9,006,433	
1841-42	1,404,326	9,193,745	
1842-43	1,469,805	9,562,524	
1843-44	1,730,427	9,558,306	
1844-45	1,621,789	9,684,985	
1845-46	2,033,421	10,384,249	
1846-47	2,297,028	10,598,016	
1847-48	2,180,325	9,932,209	
1848-49	1,861,808	10,739,647	
1849-50	1,701,562	10,098,926	These entries are taken from the Statements of Receipts and Disbursements prepared in the Financial Secretary's Office and are exclusive of Military Works charges. Rate of conversion into £ at 2s. the Co.'s Rupee.
1850-51		10,715,145	
1851-52		10,552,776	
1852-53		10,963,249	
1853-54		11,691,465	
1854-55		10,624,149	
1855-56		10,653,135	
1856-57		10,858,963	
1857-58		14,746,737	
1858-59		19,878,935	
1859-60 Estimated ...		16,432,775	

1860-61.]

Statement exhibiting the Amount of Cash Balances in the Indian Treasuries on the 30th of April in each Year, from 1834 to 1859.

	£	
30th April 1834	8,441,438	} At 2s. the Co.'s Rupee.
„ • 1835	9,745,056	
„ 1836	10,838,146	
„ 1837	10,514,861	
„ 1838	10,622,093	
„ 1839	9,518,541	
„ • 1840	9,465,676	
„ 1841	8,979,795	
„ 1842	8,430,799	
„ 1843	9,831,414	
„ 1844	11,021,357	
„ 1845	11,537,085	
„ 1846	9,554,057	
„ 1847	10,691,804	
„ 1848	10,037,626	
„ 1849	11,042,456	
„ 1850	12,433,234	
„ 1851	12,982,174	
„ 1852	15,032,078	
„ 1853	15,439,134	
„ 1854	13,778,608	
„ 1855	10,049,202	
„ 1856	12,846,222	
„ 1857	13,611,534	
„ 1858	14,411,359	
„ 1859	10,707,020	
„ • 1860 • Estimated ...	15,073,000	Estimate.

FINANCIAL STATEMENT

BY

THE HONORABLE SAMUEL LAING.

APRIL 27th 1861.

I RISE, Sir, for the purpose of submitting to the Legislative Council, on behalf of the Government, the Budget of India for the year 1861-62. The occasion is too grave for me to indulge in preface. India has been eagerly watching for this Statement, to learn whether she is solvent or bankrupt, and England turns an anxious eye to the East to know whether 5 her Indian Empire is to be a future source of strength or of weakness.

In presence of such great interests, one sort of eloquence alone is admissible—that of facts—and to them I address myself.

In the first place, how do we actually stand? When my predecessor, the late lamented Mr. Wilson, brought forward his Budget for 1860-61, 10 little more than twelve months ago, he showed that India had long suffered under a chronic deficit, which, since the mutiny, had increased to a frightful amount. For thirty-three years out of the preceding forty-six, the average deficit had amounted to £2,500,000 a year, and the three years alone, from 1857 to 1860, had added £38,000,000 to the National 15 Debt. The prospective deficit for the year 1860-61 was estimated by Mr. Wilson at £6,500,000.

He proposed to meet it partly by new taxes, partly by reductions, and partly by drawing on the cash balances, which were then unusually 20 large, owing to the success of recent loans.

Unfortunately, of these anticipations, the last only was fully realized. The actual deficit of 1860-61 has been £6,678,000, and it has been met by a corresponding reduction of the cash balances in India and England, which, on the 30th April 1860, stood together at £19,600,000, and on the 30th April 1861, will have been reduced to about £14,500,000. 25

Let me explain this more fully.

Mr. Wilson proposed,—in addition to those augmentations of salt, the customs, and stamp duties, which had been already enforced, and of which the year 1860-61 had the benefit,—two new taxes, the Income Tax and the License Tax. Of these the first was passed into law, but at so 30 late a period, that the year 1860-61 was only partially benefited by it.

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The figures of the Regular Estimate, published in February last, which give the latest authentic returns, and close the year 1860-61 with a final deficit of £6,678,000, include £803,550 of Mr. Wilson's Income Tax. No accurate estimate was attempted of the produce of the new taxes at the time; but it was roughly stated that the Income Tax might produce about £2,500,000 a year and the License Tax about £1,000,000.

I fear these estimates are greatly over-stated.

From the returns of the Income Tax, which are now nearly completed, I can hardly venture to take its total annual net produce at more than £1,400,000. The License Tax is still a matter of conjecture; but looking at the fact, that with an average payment of $1\frac{1}{2}$ Rupees per head, which is as much as we should get with three classes at 1, 2 and 3 Rupees, it would require 7,000,000 of tax-payers, representing 35,000,000 of population, to give us £1,000,000. I do not think we should get anything like it. The estimate of the authorities of Bengal would not make the License Tax yield above £400,000 for all India. This may be too low, but I believe that £2,000,000 for a full year's net produce of the Income and License Taxes together is quite the outside of what we could safely reckon upon. Assuming, then, the License Bill to have passed, and Mr. Wilson's financial measures to have been in full operation for the year, how should we stand?

The deficit of 1860-61 is £6,678,000, but nearly £700,000 of this is occasioned by payments for compensations on account of the Mutiny, which will not recur; so that the real deficit is in round numbers £6,000,000. Mr. Wilson's new taxes would have given us £2,000,000 in 1861-62, as against £800,000 in 1860-61, or an improvement of about £1,200,000 in revenue, but from this must be deducted about £700,000 for certain wind-falls, in the shape of sale of old stores, repayments by Native Princes, and so forth, received in 1860-61, and which will not be received again in 1861-62.

The position, therefore, left us by the Budget of 1860-61 is simply this. Deficit £6,000,000, less £500,000 improved revenue; remaining deficit £5,500,000.

Perhaps some Members of Council may have seen a much more favorable statement, which was recently made by the Secretary of State to the British House of Commons.

It was stated that, whereas Mr. Wilson had estimated the reductions of expenditure in 1860-61 at £1,700,000, and subsequently at £2,500,000, they had turned out in reality to be £3,300,000; so that after saving £3,500,000 in 1859, we had again saved £3,300,000 in 1860, which, with £3,500,000 of new taxes, extinguished our deficit and made us independent of loans, except to complete our railways.

This statement was made in perfect good faith by the Secretary of State, on information which he had a right to rely upon, but unfortunately that information mistook wishes for facts and anticipations for realities. There was *not* a reduction of £3,300,000 as supposed by Sir C. Wood, or even of £1,700,000 as estimated by Mr. Wilson, but a positive increase of £213,000 in the total expenditure of 1860-61 over that of 1859-60.

The figures which I read from the Regular Estimate, corrected up to last February, show that the total expenditure was £46,417,000 in 1859-60, and £46,630,000 in 1860-61.

1861-62.]

Even if we allow £700,000 for the Mutiny compensation, the actual reduction of 1860-61, compared with 1859-60, will be less than £500,000.

The difference arose thus.

The reduction of expenditure in India was over-estimated by £1,500,000, owing to a too sanguine expectation that the recommendations of the Military Finance Commission would be carried out in 1860-61. 5

The increase of Home expenditure for debt, railways, and army was over-looked. The produce of the new taxes was taken, £1,500,000, too high, and it was forgotten that £800,000 of the amount had been 10 already received in 1860-61, and was included in the statement, showing the deficit of £6,000,000.

No allowance was made for the temporary nature of some of the receipts of 1860-61, such as the Punjaub Trade Tax and sale of stores. These errors together amount to upwards of £5,000,000, and just make 15 the difference between the equilibrium announced in England, and the deficit of £5,500,000, which is the real result of last year's Budget, after crediting it with a full year's proceeds of all the new taxes, including the License Tax, which is not yet sanctioned.

I will not attempt to conceal from you that this was an unsatisfactory 20 result. To find that, after the great effort made last year, the Income Tax had produced less than £1,500,000, that reductions had almost stood still, and that we were approaching a new financial year with our cash balances nearly exhausted, and our expenditure-£5,500,000 a year ahead of our income, was indeed calculated to inspire gloomy apprehensions. 25

Nor were these apprehensions relieved by the aspect of the railway question, which showed at least £20,000,000 to be wanted in the next three years to complete lines of the first necessity, for which capital no provision had yet been made, and which the Home Government would 30 probably be compelled to borrow.

All idea of help from England for general expenditure was therefore clearly out of the question, and it was even doubtful whether funds could be provided to save us from the serious disaster of having to suspend 35 railway works which were approaching completion.

Well, there yawned the deficit of £5,500,000 wide and deep. There 35 was no chance of craning, no time to look to the right or left, for the exhausted cash balances, hungry and inexorable, were howling in our rear.

To stick the spurs well in, and go straight at it, was the only plan.

Before I ask you to follow me, let me pause for a moment and make one remark. I have said that this was no occasion for personal observa- 40 tions, but there is one which I am anxious to make, lest I should be misunderstood.

I have described a gloomy state of things. I am now going to show you a brighter picture. In making a lengthened statement, it is not always possible to avoid speaking in the first person, and thus appearing 45 to claim for myself individually the credit of acts of the Government.

I wish emphatically to repudiate any such claim.

In a Government like that of India, it is manifest that the Governor-General must be, for good or evil, the mainspring of all policy.

It is not for me to speak of Lord Canning. When a man has filled 50 such a post in such times, his character belongs to History. But this I

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may say without indiscretion, "that if any one has represented His Excellency as lukewarm and indifferent in the cause of reduction, he is entirely mistaken.

From the first time I met him in India, down to the present day, Lord Canning's language to me has been the same—that he would carry out any practicable amount of reduction rather than inflict new and oppressive taxes on the people of India:

Nor should I be doing justice to my colleagues in the Council, if I omitted to state that they have been, one and all; and on all occasions, animated by the same spirit. Indeed, it stands to reason, that so much could not have been done in so short a time, if the ground had not been tilled, and the crop sown, and all but ripened by their exertions.

Sir, as far as I have seen, all concerned have done their duty, but among the many able Officers and Servants of the State, who have given us their aid and co-operation, there is one body whose services have been so pre-éminent, that I should be wrong not to mention them.

I mean the Military Finance Commission, whose Members have labored, often under difficulty and discouragement, with a zeal, an industry, and an intelligence which are indeed beyond praise.

If the future historian of India should have occasion to mention, that in the year 1861 India was saved from a great financial danger, that history will be very imperfectly written if it omits the names of Colonel Balfour, and his colleagues, Mr. R. Temple and Colonel Simpson:

Nor would I willingly omit to mention the name of Captain Rennie, to whom, in conjunction with the Civil and Military Finance Commissions, it is mainly owing that we have been able to effect important reductions in the Navy and Marine.

I return now to my figures. Recollect the deficit is £6,000,000, and the problem is how to meet it.

In my experience of public life, I have always found this maxim hold good—that there is no such thing as an art or mystery in State Craft.

The broad principles of common sense, which apply to private, apply equally to public affairs, and that which is not simple is seldom sound.

Well, if a private individual finds that his balance at his Banker is running dry, and that he is spending beyond his income, what does he do? He cuts down his expenditure—this is what we have done. We have reduced our expenditure by £3,600,000.

Recollect, in 1859, we reduced our expenditure from the War standard by £3,500,000; in 1860 by £500,000; and in 1861 we shall reduce it further by £3,600,000.

That is a great result, and I will now explain how we arrive at it. The great reduction is of course in the Native Army. Here was the greatest excess—here the greatest scope for economy.

In April 1857, or immediately before the Mutiny, it appears from official returns, that the total established strength of the Indian Army, including Queen's Troops, was—

Europeans	...	...	...	...	45,522
Natives	...	...	...	...	266,852

The cost of this Army was in round numbers £11,500,000 a year in India and £1,250,000 in England; but this was below the proper cost 1861-62.]

as it was only attained by allowing the "Effective" European Force to remain dangerously below its "established" strength. The real cost should have been about £12,000,000 in India and £1,500,000 in England.

In 1858-59, owing to the Mutiny, this cost rose to £21,000,000 in India and £3,750,000 in England; showing a total increase of £11,000,000 on the expenditure of 1856-57, to which should be added an increase of £1,000,000 for Military Police.

This was the *maximum* point at which reductions began.

In 1859-60, the Military expenditure in India was reduced to £17,750,000, and in England to £2,750,000, making a total reduction of £4,250,000. In 1860-61, the expenditure in India was £15,279,000, in England £2,750,000, showing a further saving of £2,500,000, which, as I explained just now, has been swallowed up by the increase of interest on the debt and other charges, and which still left the cost of the Army 15 of India £5,250,000 more in 1860-61 than it was in the year before the Mutiny.

This Army consisted in 1859, according to a Return of the Military Finance Department which I hold in my hand, of 284,529 men, exclusive of 69,254 Military Police—or in all of 353,783 armed Natives. We had, 20 therefore, at the commencement of 1860, 60,000 more armed Natives in our pay than in 1857, in addition to the increased European Force, and the increased cost of our Army was £5,250,000 a year.

Now, how has the Government dealt with this state of things?

In the first place, they have decided that there shall be no hybrid 25 Corps, like Military Police, which really swell the Native Army without appearing on its roll. At least 50,000 men of Military Police and Miscellaneous Local Levies have been disbanded, or are in course of disbandment; and with the exception of about 8,000 Military Police in Bengal, who have been retained for the present for special reasons connected with 30 the organization of a Constabulary in that Presidency, you may say that nothing of this sort remains in India. When we say "Army" we mean "Army," and when we say "Police" we mean "Police"—Constables with batons under Civil Authority, and not Sepoy Regiments under a new name. 35

Next, we have reduced all Native Infantry Regiments to a uniform force of 600 Privates, or 712 Natives of all ranks per Regiment.

Finally, we have broken up and disbanded Regiments.

Upon this point I think the Government of India has hardly done 40 itself justice in not making public some comprehensive view of the extent of reductions effected.

In Bengal there were in 1857, 146 Regiments of Native Infantry; in 1859 the number was 98, in 1860 it was reduced to 91; and of these 8 are under orders for disbandment, and an order for reducing 11 more has been passed and will appear in a few days in the Gazette, bringing 45 the number to 72 Regiments, or less than half the number before the Mutiny.

Madras, before the Mutiny, had in all 55 Regiments of Native Infantry, including 2 of Veterans and 1 Pegu Battalion. The number was raised in 1859 to 62 Regiments—it is now 53 Regiments. 50

Bombay had 34 Regiments before the Mutiny. In 1859 there were 40. Of these 6 have been disbanded, and orders passed to disband 4 more.

As regards Native Cavalry, Bengal had in 1857, 50 Regiments. In 1859 there were 56 Regiments. At present there are 43, and orders have just passed for disbanding 11, leaving the total number 32. This includes all Native Cavalry of the Punjaub, Central India, and elsewhere, as well as those under the Commander-in-Chief. Madras had 8 Regiments of Native Cavalry in 1857; the number has been reduced to 4.

Bombay had 9 Regiments in 1857. These were recently converted into 14 Regiments of reduced strength, on the Irregular Footing, which will be reduced to 9 or lower.

I say nothing of Native Artillery, for no such thing exists, except a few mountain Batteries at unhealthy posts on the frontier.

The result is, therefore, that 77 Native Regiments are broken up since 1859, *viz.*, 44 of Infantry and 33 of Cavalry.

Of these, 24 Regiments of Infantry and 20 Regiments of Cavalry, are the result of the reductions now ordered, or enforced within the last few months.

The effect of these reductions is to lower the strength of the Native Army from 284,000, at which it stood in 1859, to about 140,000 men.

Including Military Police, the reduction of Native Armed Force since 1859 will be very nearly 200,000 men, of whom upwards of 100,000 men have been reduced within the last few months.

I should mention that, in effecting these reductions, it has been thought right to make some addition to the pay of the Irregular Native Cavalry, who find their own horses and provisions. Prices have risen so much, that it is difficult for them to keep out of debt on their old pay, and soldiers in debt are always dangerous. But I place it on higher grounds. It is the duty of the State to treat liberally men who are ready to shed their blood for us in case of danger, be they Hindoos or Mus-sulman, English or Native—here at least the maxim should apply that the labourer, while found faithful, is worthy of his hire.

I spoke of the above reductions as carried out, because they are so in a great measure; and what remains is distinctly ordered in a manner which admits of no discussion. Madras has taken the lead in reductions, but Bombay is well up, and Bengal, as you will see, is coming with a rush, and will, perhaps, make a dead heat of it on the post.

The Military Finance Department, who are constituted as a permanent Department of the Supreme Government, to see to the enforcement of all that relates to estimates and Military finance, give us means, like those which the Treasury and War Office in England possess, of ensuring the observance of estimates, and of checking expenditure.

So much for our Native Army.

In our European Force, no material change is proposed on that now existing.

Concurrently with these reductions of Force, we have made corresponding reductions in the Commissariat, Ordnance, and other Military Departments, and in the expenditure on barracks. The general result is that our Military expenditure of all sorts, including Military buildings, will be reduced from last year, by £3,220,000.

Our estimate of Military expenditure in India for the year 1861-62 which has been revised with great care by the Military Finance Department, is £12,800,000, or £2,479,000 lower than in 1860-61. But this does not show the whole amount of permanent saving, as the reductions cannot all be carried out by the 1st of May, and Native Troops cannot be disbanded without gratuities. 5

The estimate of this Military Finance Department is £12,199,242 as the cost for a year of the Establishment now decided upon for permanent adoption, and £600,760 as the temporary cost for this year in gratuities, bounty, pay, and other expenses, before the reductions are fully carried out. 10

It is right to state, however, that for £500,000 or £600,000 of this reduction, we are indebted to a suspension of the usual demands for stores, owing to the vast accumulations of recent years.

I am sanguine, however, that when the new Police is fully organized, and after another year or two of peace and tranquillity, the Native Army may be still further reduced, and the total expenditure in the Army kept at £12,250,000, or even brought down to 12 millions in India and 2 millions in England. 15

In the meantime, our actual reduction for the ensuing year is £3,220,000, but of this £409,000 is in Military buildings, of which we give the benefit to Civil Public Works. 20

In this estimate of Military expenditure, I have only allowed for a small decrease on the Home charges, proportionate to what we know of the actual diminution of numbers in *depôt*, viz. from £2,772,610 in 1860-61 to £2,500,000 in 1861-62. 25

But I hope and believe the reduction will be much larger.

It is perfectly manifest, that the officers and men belonging to Indian Regiments in *Depôt* at Home, are as much a reserve for England as for India. In the event of any sudden and serious danger threatening England, there is no doubt that these troops would be available there, and it is not fair that India should pay the full cost of the Reserve Establishments in England under such circumstances. 30

The day is past when England can consider India as a sort of milch-cow, on whom to draw for a little here and a little there, in order to round an English budget, or ease an English estimate. Strict and impartial justice must be the rule in all money matters between England and India, if England wishes to get a return for her capital, which will soon amount to £100,000,000 invested in Indian securities and railways, and if she wishes to see India become, every day, more and more, the best source of supply for her raw produce, and the best market in the world for her staple manufactures. 35 40

I know that arrangements are pending at Home, by which we hope to commute all charges for *depôts* or otherwise, for a fixed sum per head for every soldier in India; and if a fair settlement is made, I look for a considerable further reduction on the Military Estimate. 45

In reducing the expense of the Army, we have not been unmindful of the Sister Service.

The Indian Navy cost nearly £1,000,000 a year, and what was there to show for it? It is no disparagement to the well-known courage of our gallant Indian Navy, to say that the whole fleet could not stand a single 50

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broad-side from a man-of-war of modern construction and armament. In the event of a Naval war, we must trust to Britannia to rule the seas, and really, in these hard times, India cannot afford to go on paying a million a year for the honor and glory of having a Navy of her own, 5 which is no real protection.

Nor does it seem the wisest of policies to run Government steamers on our rivers, competing with railways and steamers, of Companies, on whose capital we are guaranteeing 5 per cent. Accordingly the axe has been laid to the root of that tree, and our Budget of 1861-62 shows, by 10 way of commencement, a reduction of Naval and Marine charges, £536,000 from £856,070, as it was last year, and £1,000,000, as it would have been, with no reductions, now that our steamers have returned from China.

This reduction will, I hope, be carried still further, when arrangements, now pending, are completed, by which a small but efficient force of the Royal Navy shall be constantly stationed in the Indian seas, which will give us much more security against any possible hostile attack than we have ever hitherto had.

Nor have we been unmindful of economy in our Civil expenditure. 20 The first four heads of the Abstract of the Budget Estimates, which I hold in my hand, comprise the cost and charges of collecting the Revenue, Civil and Political Establishments, Law and Justice, and Police, which include the whole cost of Civil Administration in India, except for Public Works.

25 The aggregate of these four heads is £14,864,004 in 1861-62 against £14,876,389 in 1860-61, showing a decrease of £12,385, instead of the large increase which has been steadily going on of late years.

But this gives a very inadequate view of the real saving in Civil Administration, for the charge in 1861-62 includes £350,000 more than in 30 1860-61, for the increased cost of opium, salt and Income Tax, and £150,000 for contingencies connected with the famine, for none of which is Civil Administration proper at all responsible.

The total charge would, therefore, have been £500,000 more in 1861-62 than in 1860-61, had the cost of Civil Administration remained 35 the same.

But it is £12,385 less, so that the saving in Civil Administration cannot be taken at less than about £500,000.

For this large reduction in Civil expenditure, we are very much indebted to the Civil Finance Commission, who have aided us in reducing 40 outlay, rooting out abuses, and revising estimates, with the most meritorious zeal.

A portion of this has been effected in the Police, which under the old system, was both costly and inefficient, and here the assistance of the Police Commission has been of the greatest value. But there has also 45 been a saving in a variety of minor Departments, which, although small in the individual cases, amount up to a large sum in the aggregate.

The system of Budget Estimates has already afforded us valuable means of checking this sort of expenditure in detail, and I have no doubt that it will be found, every year more and more, an efficient instrument for checking extravagance, and enforcing a wise economy—an 50 economy which, let me observe in passing, is only to be attained in 1861-62.]

junction with efficiency, and is wide as the poles apart from anything like shabbiness and stinginess. A Government to be well served and generally respected, must never do a sharp and screwish, or a mean and illiberal act, or depend upon it, the paltry saving of to-day will come back with ten-fold expense and hundred-fold discredit on the morrow. 5

I may as well observe here, that the estimates, of which I now give the general results, are all taken from the detailed estimates settled, under the new system, of which such portion as may be useful for public information will be presented and printed as soon as time permits, so as to enable those who take an interest in such matters, to trace details of expenditure under different heads and in different Governments. 10

The next head of expenditure in my Budget shows an increase, not a reduction, but I think you will pardon this when I say that it is for Civil Public Works.

The Imperial Assignment for Civil Public Works is £3,121,129 in 1861-62 against £2,897,671 in 1860-61, or £223,458 increase; in addition to which £230,000 more will be spent next year than this from local funds, and the amount required for repairs is smaller, so that on the whole the expenditure on new works of improvement will be about £500,000 more in 1861-62 than in 1860-61. 20

Of this a large portion will go in making roads, which I believe to be, as a general rule, the most advantageous way of spending money in most parts of India.

We shall especially urge on the construction of good roads in the principal cotton districts, so as to be prepared to bring the resources of 25 India into play to supply the threatened deficiency of cotton from America. Immense interests are at stake on this question, not only material, for who can measure the extension of commerce, and the mutual benefit to England and to India which would result from a transfer of the chief supply of cotton from America to the East; but moral also, for the 30 issue for which Wilberforce contended; and for which England has sacrificed her West Indian Colonies and poured forth her millions like water,—the issue of slavery or freedom is staked mainly on the question, whether America's danger is to be India's opportunity. If cotton, produced by free labor, can undersell cotton, the produce of slavery; then, and not till 35 then, the cause of freedom is finally gained.

Private enterprise, and private enterprise alone can decide this great issue, but the Government have certain duties to perform, and they will not perform them negligently. To press on the construction of roads and communications; to pass just laws for the enforcement of contracts; 40 to provide ready tribunals for dispensing justice; to impress on all connected with them the importance of encouraging independent English enterprise by every means consistent with justice, and with the equal rights of our native subjects—these are within the legitimate functions of Government; and you may depend upon it, Sir, that it shall not be 45 said of us, that slavery triumphed and India missed its opportunity, because its Government was too blind to discern, or too weak to carry out the policy which, at a great crisis, Providence had clearly pointed out to us.

In addition to roads, we shall spend more money on canals, and 50 specially in developing those works of irrigation in connection with our

Great Canals, which have proved of such infinite value in adverting the consequences of the famine. Colonel Cotton has truly said, that water is gold in India; it is more than gold, it is *life*; and among the most lamentable consequences of our financial embarrassments, has been the necessity of starving works, which convert famine into plenty.

I have now gone through all the principal heads of expenditure, except for railways. I shall have to pay about £100,000 more than last year for guaranteed interest, after deducting nett traffic receipts, the increase of traffic not having kept pace with the increase of capital paid in by the Companies.

But I shall save the £473,334 set down last year for loss by exchange on Railway Capital, for, as nearly as I can estimate, the interest due by Railway Companies on advances made by Government, will balance any loss by exchange from further payments under existing contracts, and I take it for granted, that the Home Government, on whose attention it has been urged, will not think of extending a single contract with this most objectionable clause.

The interest on debt has increased by £313,299, owing to the recent loan in England, and a full year being payable in the whole of the 5½ per cent. loan in India.

I thus arrive at the general result of a total expenditure for the year 1861-62 of £41,554,699, as compared with £45,154,449 in 1860-61, showing a reduction of £3,599,750.

I proceed now to the other side of the account, to show what my revenue will be to meet this expenditure.

LAND REVENUE.—The total revenue for 1861-62 is £18,951,156 against £18,762,447 in 1860-61. This increase has arisen, notwithstanding a loss of £360,000 in the North-West and Punjab, owing to the famine, in consequence of sales of lapsed estates in Bengal, and of a general slight increase in districts unaffected by the famine.

Including the loss of land revenue, the grants for relief and the cost of extra works in the suffering districts, the total loss by the famine in this Budget may be taken at about £600,000.

INCOME TAX.—The estimated receipt for 1861-62 is £1,948,094, but this is not a fair representation of the produce of the tax for a year, as it includes a large amount of arrears from the previous year. The gross annual produce of the Income Tax may be taken at about £1,750,000, from which must be deducted the cost of collection, say 10 per cent., and the loss on the Moturpha and Trade Taxes in the Punjab and Oudh, which are partially superseded by the Income Tax, amounting to £186,827, leaving £1,389,000, or say in round numbers £1,400,000 as the net annual produce of the tax.

CUSTOMS.—An allowance of £200,000 has been made for a falling off in the import duties on British manufactures at Calcutta and Bombay, owing to the dullness of trade; but this is made up by the increase of the salt duty, and the buoyancy of various minor receipts from Customs, especially on the Inland lines.

A further allowance of £40,000 is made for a reduction of the duty on imported twist and yarn from 10 to 5 per cent. The duty was raised last year by Mr. Wilson, who estimated the gain to the Revenue at £67,000, but it has only amounted to about half that figure, and no one 1861-62.]

can doubt that it is a duty which ought not to be maintained at a rate which might stimulate the growth of a protected interest.

The principle of free trade is to impose taxes for purposes of revenue only, and if yarn be a fit subject for taxation, there ought to be an excise on the native manufacture, equal to the Customs Duty on the imported article, unless the latter be so small in amount that it would be palpably not worth while to establish a counter-vailing system of excise.)

With a 5 per cent. Import Duty, this might be the case, but at any higher rate, untaxed native yarn would manifestly be a protected article, and any interest which might grow up, would infallibly share the fate of other protected interests, and find itself, at some early day, left to struggle with foreign competition.

I wish I could at once reduce the duty on piece goods and other manufactures from 10 to 5 per cent., but, unfortunately, the amount of revenue is too large to enable me to propose it without imprudence. 15 Looking at the precariousness of the present high price of opium and the possible contingencies of the famine, I should not be justified in parting with £400,000 of revenue, without seeing, very clearly, how I could replace it.

But that is no reason why I should not at once deal with yarn where the amount is small, the failure of the high duty palpable, and the case urgent, because parties are actually building mills and importing machinery on the strength of the high duty.

If, upon equal terms, those parties can compete with Manchester, by all means let them do so; but it would be unfair to induce them to invest capital on the faith of a protective duty, which certainly could not be maintained for a couple of years.

SALT will show a large increase, viz., from £3,391,630 in 1860-61 to £3,980,000 in 1861-62.

In 1859, the rates of duty on salt were as follows :—

30

Bengal	...	...	Rs. 2	8	0	per Maund.
Madras	...	...	"	0	14	"
Bombay	...	...	"	0	12	"
North-West	...	...	"	2	0	"
Punjab	...	...	"	2	0	"
Oudh	...	...	"	2	0	"

35

The Government then proposed to raise the duty generally by 8 annas per maund, but after some correspondence with the local Governments, the following rates were adopted :—

	Rate adopted.	Increase on old rate.			
		Rs.	As.	P.	
Bengal	3 0 0	0	8	0	45
North-West and Oudh	2 8 0	0	8	0	
Madras	1 0 0	0	2	0	
Bombay	1 0 0	0	4	0	
Punjab	2 2 0	0	2	0	

[1861-62.

The expectation of increased revenue had been fully realized.

The produce of the salt duties (exclusive of imported salt) rose from £2,602,000 in 1858-59, the last year of the old duties, to £3,391,000 in 1860-61, showing an increase of £789,000, to which must be added about 5 £100,000 for the increase of duty on imported salt, levied through the customs.

The slight increase of duty, therefore, imposed in 1859, and which I believe no one has felt, has produced nearly £1,000,000, or two-thirds as much as the Income Tax.

10 The fact is, the increase of duty had no effect whatever in checking consumption. The amount per head, or for each family, paid for salt, is, as Mr. Plowden conclusively showed in 1855, very slight, and the general rise of wages and increase of prosperity have made this slight amount comparatively still slighter; so that a large increase of consumption has 15 gone on concurrently with an advance of duty.

In Madras, the returns show an average consumption of 4,80,000 maunds a month, for the sixteen months since the duty was raised, as against 4,56,000 maunds per month, for the corresponding period under the old duty.

20 In fact, a raise of duty of $12\frac{1}{2}$ per cent. coincided with an increase of consumption of 5 per cent., and the revenue gained 15 per cent.

In Bombay, an increase of 33 per cent. on the duty raised the revenue 36 per cent., showing here also an increase of consumption.

In Bengal, the result was still more favorable, and in the North-West 25 the result was extraordinary, showing an increase of no less than 30 per cent. in consumption, coincident with a rise of 25 per cent. in duty.

In the face of facts like these, there could be no reasonable doubt that a further slight increase may be borne, without oppressing the people or checking consumption, especially as the approaching opening of the 30 Railways will, in many cases, cheapen the price of salt in the interior.

It would not, however, have been wise to hazard the results already obtained by too large an advance so soon after that lately made.

Accordingly, after consultation with the local Governments, the following additions have been made, *viz.* :—

35 In Bengal, Bombay, and Madras, 4 annas per maund, raising the duty to Rs. 3-4 in Bengal, and Re. 1-4 in Madras and Bombay.

In the North-West and Oudh 8 annas, raising the duty to Rs. 3, and doing away with the preventive line at Allahabad.

In the Punjab 1 Rupee, assimilating the duty on this side of the 40 Indus to that on the North-West.

In Nagpore Re. 1-8, and in Sind 1 Rupee per maund will be imposed where no duty now exists.

A corresponding increase is made in the Customs Duties on imported salt.

45 The effect of these additions of duty, estimated on the actual rate of consumption, with some allowance for a possible falling-off, though I see no reason to anticipate any, gives me an additional revenue of £598,370.

OPIMUM.—Bengal opium has only been taken at the same figure as 50 last year, though the actual market price is Rs. 600 per chest higher, which would warrant an increased estimate of fully £1,500,000.

1861-62.]

An increase on Bombay opium is taken of £468,000, owing partly to the increased duty of Rs. 100 per chest, to take effect from October, and partly to the increased number of passes over last year's estimate, which are expected from the present crop, and will be realized either before the 1st May, or soon afterwards.

As there is no prospect of any material increase of the supply of Bengal opium in the coming year, I see no reason why the present high prices may not continue for some time, and if so, we shall unquestionably realise a much larger sum from opium than is put down in this estimate.

STAMPS.—The estimate for 1861-62 is £1,216,046; which is £383,370 more than last year, and £557,052 more than in 1859-60, which was the last complete year of the old duties.

This increase is very satisfactory, and in fact the additions made to the Salt and Stamp Duties last year, have yielded a larger revenue than the Income Tax.

MISCELLANEOUS.—The different heads of miscellaneous receipts show a falling-off from last year of £750,000.

This arises from certain wind-falls in 1860-61 not being repeated. For instance, £340,000 was received in one sum last year from the Rajah of Putteala, on account of certain ceded districts, which of course does not recur. The other heads of revenue are as nearly as possible the same as in 1860-61.

The general result is, that the revenue of 1861-62 will amount to £41,294,595 as compared with £39,285,731 in 1860-61, showing an increase of £2,008,864.

My expenditure was £40,254,699, without Railway interest, or £41,554,699 with it. So that, in the former case, I should have a surplus of £1,039,896—in the latter, a deficit of £250,104.

In 1860-61 the deficit, exclusive of Railways, was £4,176,544, and with Railways, £5,868,718.

On the strictest principles, a large portion of the difference between the £1,800,000 paid for guaranteed interest, and the £550,000 of net receipts from opened Railways, is chargeable to capital.

It might even be contended that a portion of the large expenditure on canals and other re-productive works is so chargeable, but as regards at least £1,000,000 of the charge for Railway interest, there can be no doubt that it is as much a charge against capital as the cost of making the line.

This shall properly be shown in the accounts, but, on the whole, I think it more prudent for the present to provide for it as current expenditure.

The charge is likely to continue for several years at least, the money must be paid, and I think it extremely important to show that we have no arrears, and that henceforward our receipts for the year will honestly cover all our expenditure.

I think this specially important for the following reason.

The fear of new taxation is often worse than the reality of new taxes.

In all countries, and more especially in a country like India, it is most undesirable to keep the minds of the people constantly harassed by an indefinite apprehension of fiscal changes.

[1861-62.

Now there is no guarantee that a Government can hold out against new taxes as long as it has a deficit. The money it must have to pay its way, and as it cannot borrow for ever, new taxes must be tried if the old ones do not suffice. But if the old taxes do suffice, no sane Government will risk unpopularity by resorting to new ones, and the nation may rely confidently that, if any change be proposed, it will be in the pleasant form of reduction.

Now, if we fairly extinguish our deficit while we are about it, including the Railway interest, I think we may say that we shall be in this position.

10 It is true that the high price of opium is precarious, and that our Customs Duties are in some cases too high. But I hope and believe that further reduction, especially in Military expenditure on the Native Army, will be found practicable; our land revenue would at once improve on the cessation of famine; the salt, the customs, the excise, the stamps, 15 and other branches of revenue cannot fail to increase with the opening of Railways, and with the increased trade and prosperity of the country.

On the whole, apart from wars, of which I cannot see any present prospect, or from some sudden calamity, like a great famine, which is in the hands of Providence, I may truly say that, as far as I can see, if we 20 honestly extinguish our deficit now, no Chancellor of the Exchequer need ever be sent again from England to India to devise new taxes. That part at least of his mission will be gone, and, with Prospero, he may bury his magic wand certain fathoms deep, and renounce his art.

Do you then go with me in saying that, after having fought so 25 many, and I fear such weary rounds, with this huge bully deficit, we shall not let him claim a cross, or call it a drawn battle? If so, in the language of the Ring, let us go in and finish.

Or, if you prefer, an Indian simile. As this tremendous tiger has given us such a fright, let us pour a parting shot into his carcase, to 30 finish him off effectually, and make assurance doubly sure.

The means are ready to my hand in the License Tax, which has been so long announced, and so nearly passed into a law that nothing remains but to read the Bill a third time. Every one, I believe, expects it, and has long looked upon it as part of the financial scheme announced by the 35 Government; but I must confess that I feel great reluctance to proceed with it until I can combine it with an amendment of the Income Tax, so as to make the united measure one of relief and satisfaction to India, rather than of oppression and burden.

I have told you frankly that financially speaking, I think the Income 40 Tax has been a failure. It lays down a great and just principle that the capital and trade of India, as well as her land, shall contribute, in a fair proportion, towards the support of the State. From that principle I believe no Government of India will ever recede, and as regards incomes, which are fixed and certain, and can be ascertained without prying into 45 people's private affairs, there is no fairer mode of applying it than by a percentage on the amount of income.

But when you come to trading and professional incomes, or incomes which cannot be ascertained, without calling for complicated returns and instituting private enquiries, I believe that some fixed scale of assessment 50 under a graduated License Tax, is a better mode of applying the principle.

1861-62.]

I would almost lay this down universally, for I think it is a fatal objective to a tax, that it conduces to extensive demoralization by holding out a premium to fraud, and that its inevitable tendency is to embark the Government in a constant warfare with a large section of its subjects—a warfare carried on by vexatious petty interference and inquisition on the one hand, and by evasion and chicanery on the other. 5

Certain I am, that India, at any rate, is no place for such a tax on incomes going as low as £20 a year, and that the Government would be wanting in their duty if they did not address themselves to the task of endeavoring so to amend this portion of the Income Tax, as to raise the necessary revenue in a manner less open to objection. Such an amendment could not be introduced as part of the present Budget for obvious reasons; but I hope, before long, to be in a position to mature a measure, and until that is the case, I am anxious, as I before stated, to keep the License Tax in reserve, and not impose it in a crude form as a separate 15 measure, without compensation or equivalent.

To raise even £600,000 by the License Tax, we must send the tax-gatherer to 4,000,000 doors, or, in other words, must affect 20,000,000 of our population.

That is a serious matter, and, although I should not shrink from it in case of necessity, I confess that I should prefer making the License Tax part of a general scheme for mitigating the Income Tax, and moulding the two together into a system more simple, satisfactory, and congenial to native habits and wishes. 20

Well, then, I hear you say, "How about the deficit? Is it to be a drawn battle after all, or a stale-mate, when we thought the next move would win the game?" 25

By no means, I have a move in reserve, which I think will effectually check-mate him.

I invite your particular attention to this, which I hope is the concluding part of my statement, for I consider it to be the most interesting, as it is the most novel feature of the financial scheme of the Government. 30

I want about £500,000 fairly to weather my deficit, and get into smooth water with a small surplus.

The obvious resource would be, to dock it from Public Works. 35

The Government, as I have already shown, have been so far liberal to Public Works of a useful nature, as to propose to give them £500,000 or upwards more than last year.

But if we have not got the money, we cannot give it, and therefore we should be very reluctantly driven to curtail roads, canals, and other useful works of this description, to the allotment on which, they have been carried on, or rather I should say, starved since the Mutiny. 40

Now, this would really be most lamentable. It is heart-breaking to hear of districts barren for want of water where water is to be had; of roads half-finished and abandoned; or finished but, useless, for want of some bridge which has tumbled down. 45

India has two great wants—irrigation and communication.

I do not mean grand schemes only which strike the imagination, so much as village roads and village tanks and water cuts, which enable every rood of ground to grow its crop and send it to market. 50

Such works we are most anxious to encourage, and accordingly, instead of simply curtailing the Imperial allotment to local Governments, we say to them—"Take what we are able to give you, and for the residue take certain powers of local taxation and raise it yourselves."

5 There are certain subjects which can be dealt with far better by local than by Imperial taxation. For instance, tobacco. The discussion on this subject last year, and the returns from the various local Governments, prove distinctly that there is no scheme of uniform and Imperial taxation, applicable alike to all India, short of a Government monopoly, to
10 which there are grave objections, under which we could hope to obtain any considerable revenue.

In one province the system of land tenure makes an acreage tax difficult: in another, the vicinity of a Native State throws impediments in the way of an excise; in a third, the general cottage cultivation makes
15 licenses, at anything beyond a nominal rate, almost impracticable.

But many of these provinces could raise a considerable revenue, without sensible pressure, from tobacco, if left to deal with it in their own way, and under a system which might vary in case of need, so as to suit the peculiar circumstances of each district.

20 Well, we say to them, take tobacco and make what you can of it, for your local roads and canals, instead of the allotment which we wished to give you, but could not afford, from the Imperial Budget.

The same principle applies to other subjects of taxation.

We place no limit upon it, except this, that every proposal for local
25 taxation shall be subject to the sanction of the Governor General in Council, and of the Legislative Council when a law is required, in order to see that it is not inconsistent with Imperial taxation or with Imperial policy.

For instance, suppose a certain town, being anxious to get a road made, proposes to have an octroi, and the local Government adopts the
30 application.

The Supreme Government examines the scheme to see that there is no transit duty on general trade, which would be contrary to public policy, and injurious to other parts of the Empire.

But if it is a mere octroi, and the question is simply whether the
35 inhabitants of a given town shall for a time pay a little more for their eggs and poultry in order to get a road, that is their affair, and we sanction the tax.

This is only one illustration, but there will be many such cases, as people will regard with very different eyes a temporary local tax, levied
40 for some object of undoubted advantage in their own district, and a general tax, which goes into the remote and unfathomed gulf of the Imperial Exchequer.

We have already received, from several local Governments, the most satisfactory assurances of their ability and readiness to raise considerable
45 sums by small and comparatively unfelt local taxes for local objects.

I think, therefore, that by this means, not only will the Imperial Budget obtain the requisite relief, but more money will, on the whole, be raised and expended on useful local works.

This, however, by no means comprises the whole scope and object
50 of the measure.

By enacting local Budgets, the Government hope not merely to meet a temporary difficulty, but to inaugurate a permanent improvement.

It has long been a standing complaint with other Presidencies and Provinces, that they were deprived of their fair share of self-government, and kept in a state of galling and humiliating dependence on the *bureaux* 5 of Calcutta.

Well, Sir, the power of the purse is the ultimate power, and as long as local Governments are absolutely subservient to Calcutta in financial matters, it is evident that they can have no real independence.

But if, without sacrificing in any way the unity of the Empire and 10 Imperial control in Imperial matters, we give them local Budgets, their position is altered.

We propose to give them not only powers of local taxation, but possibly to credit them with a liberal share of reductions of expenditure, which they may be able to make on the Estimates of the General Budget. 15

Each Government will therefore have a direct interest in economy, in order to increase the fund applicable to local works, and I cannot fancy that Madras, for instance, will long continue to spend £160,000 a year in Public Works Establishments to look after £460,000 a year of expenditure upon actual works, where it is apparent that every £1 extra 20 spent on establishments means £1 more to raise by local taxes, or £1 less to spend on roads and canals.

It is obvious that such a system of local Budgets would harmonize extremely well with what I hope soon to see adopted, *viz.*, Local Legislative Councils at the Presidencies. 25

It would at once give them an appropriate and dignified position, and I can imagine nothing more useful than that the details of a local Budget, such as that of Madras or Bombay, should be submitted to the intelligent scrutiny of a Council, comprising both experienced officials, and picked representatives of the mercantile and Native communities. 30

I think also the scheme would greatly foster the growth of Municipal institutions, and of what is still more important, of the spirit of local self-help and self-guidance, which is at the bottom of a nation's greatness.

India is not altogether devoid of that spirit of self-government 35 which characterises the Anglo-Saxon. In her village communities and her punchayets, we find traces which may remind us that Hindoo, as well as Englishman or Teuton, are descended from a common stock of Arian ancestors.

But the Hindoo has been enervated by climate, harassed by wars, 40 oppressed by bad Government, isolated morally by caste and physically by want of communication, until these germs have been almost extinguished.

The consequence is that India has never, within the period of history, been a nation. It has been an aggregate of various tribes, distinct com- 45 munities, and petty despotisms, of which now one, now the other, shot up into ephemeral importance or decayed, with the accident of the hour, with the success of some military adventurer, and the degeneracy of his heir.

Let us hope that it may be ours to found something more lasting, 50 and to show that as our power is now without a rival, or the shadow of a

rival, from the Himalayas to Cape Comorin, and from the Irrawaddy to the Indus, it is a beneficent power to be exercised firmly and wisely for the good of the millions over whom Providence has placed us in authority.

I have a vision of an India—where the science of the West has removed impediments to communication; where the consequent increase of trade has diffused material prosperity; where English energy and capital stimulate improvement in every district; and where the native population, with expanding ideas and improving intelligence are taught by the education of schools and of events, of books and Railways, to know us, and to know one another; and are gradually trained in the management of their own local affairs for those of a wider area; so that India may at length have what it has never yet had—a political life, and at length be, what it has never yet been—a nation.

You may say that this is a vision, and this much is certain, Sir, that neither you nor I will live to see it fully realized; but I reply that it is something for a Government to have a policy, a high and distinct, though distant, aim, and I think I may safely say that this is an aim in which every enlightened Hindoo and Mussulman, as well as every enlightened Englishman, may cordially unite with us and join us in praying in the words of the inspired Psalmist, “that our works may be so done in truth and equity, as to stand fast for ever and ever.”

If, Sir, we have succeeded even tolerably in restoring our finances and conjuring away that spectre deficit which rode upon us like the grim nightmare hag of the old Norse Saga, I rejoice in it, not so much for the immediate relief, as because I hope and believe that it is an earnest of further improvement.

If six months have sufficed to get rid of six millions of deficit, I see nothing of which the Government of India need despair, with energy and decision, with prudence and clear insight. Success like failure is contagious, and in Politics, as in War, the moral causes are to the physical, as the Great Napoleon said, as ten to one. Therefore, Sir, in addressing ourselves to further reform, the word *impossible* shall be banished from our vocabulary, and we shall succeed, because we have succeeded already, and because we are determined to succeed again.

And now, Sir, nothing remains but to thank you and the Council for the patience with which you have listened to me, and to sum up in two words the result which I had laid before you.

The deficit was £5,868,718. We have met £3,599,750 of it by reductions, £2,008,864 by improved revenue, and £500,000 by transfer to local Budgets.

Therefore, I have a clear surplus of £239,896 of income over expenditure, including in my expenditure £1,300,000 on account of Railway interest, which is properly chargeable to capital.

My Cash Balance in India, on the 1st May next, will be £12,850,000, which is higher than was expected, partly because the receipts from opium have been large, and partly because recent reductions of expenditure are beginning to tell.

After allowing for the payment of £950,000 of Prize Money, and for an expenditure of £500,000 per month, or £6,000,000 in the course of the year upon Railways, it is estimated that we shall arrive at the 1st May 1862, with a Cash Balance of £14,264,302. I shall want no loan, 1861-62.]

therefore, as far as I can see at present, unless something altogether unexpected should occur, which I have no reason to anticipate.

There is no danger of the Railways now in progress being suspended, though strict economy must be enforced in making the money go as far as possible in opening additional miles of Railway, and not in costly works or ornamental stations.

These results, let me once more repeat, have been obtained mainly by enforcing economy. On the continued enforcement of that economy, the future welfare of India mainly depends. I have been careful, as far as possible, to adopt no figure in my Budget which was not based on positive facts, and on the Estimates of the responsible authorities. As regards the Military Estimates, which are the most important, Colonel Balfour and his colleagues in the Military Finance Department have gone through them in minute detail, and pledge themselves for their sufficiency, provided the orders already passed by the Government are properly carried out.

That is our affair, and you may depend upon it that, with the welfare of India and our own credit at stake, we shall take good care that we are promptly obeyed.

I anticipate no difficulty, for I have always heard that in the ranks of the Indian Service, as in those of the Army, there is a noble spirit which makes men obey distinct orders promptly, nay cheerfully, even in cases when the orders may have been contrary to their own judgment. But in this case, I believe there is not a man in India whose judgment does not go with us, and who does not feel that, in largely reducing the Native Army, we are following the path, not only of financial reform, but of political prudence.

With this conviction the eye of Government will be on every officer who has anything to do with the realization of these our first properly framed and duly considered Budget Estimates, and he will find us prompt to recognize merit, not prompt to accept excuses or to admit of failure.

I have nothing more to add.

As I said at the commencement, I say now, there is no eloquence on such an occasion as this, but that of facts.

An oratorical triumph I do not seek, I am not an orator by nature, and if I were, I should disdain, in presence of such great interests, to resort to artifice or to appeal to anything but reason.

But there are my facts. Take them, sift them, scrutinize them, for it is my conviction that they are solid and substantial facts and not shams.

It is not for me to anticipate the verdict of public opinion on the policy of the Government of which I am a Member; but this I will say that I await it with confidence. I may be mistaken, but my belief is that impartial men, who understand Indian affairs, will, both here and in England, accept the results submitted to you to-day as, on the whole, not discreditable to Lord Canining's Government; and not discouraging as regards the prospects of this great Eastern Empire, which is,—or ought to be, and by the blessing of God *shall* be,—the brightest jewel in the Crown of our beloved Sovereign Lady Queen Victoria.

[1861-62.

APPENDICES.

ESTIMATE of Revenue and Expen-

REVENUE.						Regular Estimate, 1860-61.	Budget Estimate, 1861-62.
						£	£
Land Revenue (including Sayer, &c.)	...	...	...	...	...	18,762,447	<i>A</i> 18,985,522
Tributes and Subsidies	...	...	...	...	...	857,321	822,364
Public Works (Imperial Receipts from Rents, Water-rates, and exclusive of receipts credited to Local Funds)	...	...	...	...	...	449,707	<i>B</i> 336,796
Excise (Abkarry, &c.)	...	...	...	...	...	1,238,489	1,327,804
Assessed Taxes	{	Income Tax	...	...	...	803,550	<i>C</i> 1,948,094
		Moturpha (Madras)	...	...	...	108,850	53,503
		Trade Taxes (Punjab and Oude)	...	...	...	213,980	62,500
Customs	{	General	...	...	...	2,657,897	<i>D</i> 2,484,410
		Salt	...	...	...	1,110,780	1,255,000
Salt	...	...	...	...	...	3,391,630	3,980,000
Opium	...	...	...	...	...	5,638,699	<i>E</i> 6,107,561
Stamps	...	...	...	...	...	832,670	1,216,040
Post Office	...	...	...	...	...	701,101	750,000
Miscellaneous—Civil (Law and Justice, Police, Mint, Marine, Electric Telegraph, &c.)	...	...	...	...	...	1,530,195	<i>F</i> 1,195,001
Miscellaneous—Military (Sale of Beer, Rum, Old Stores, &c.)	...	...	...	...	...	988,415	750,000
Total Revenue						39,265,731	41,294,595
Deficit, excluding Railways	...	...	...	...	...	4,176,544	surplus
Deficit, including Railways	...	...	...	...	...	5,868,718	surplus

A This is obtained after deducting a loss of £370,000 from the famine in the North-West and Punjab.

B This is exclusive of receipts from Local Funds amounting to £223,900 in 1860-61, and £230,035 in 1861-62.

C This includes arrears of 1860-61. The net revenue per annum from the Income Tax is about £1,400,000.

D This is obtained after allowing £200,000 for loss on diminished imports of manufactures and £40,000 for reduction in Twist and Yarn.

E Bengal Opium has been estimated at the same amount for 1861-62, as for 1860-61, viz., Rs. 1,748 per chest; but at the present market price the estimate would be £1,500,000 higher.

F The miscellaneous receipts in 1860-61 included £340,000 from the Rajah of Puttealah and other large sums which are not regular revenue, and do not recur in 1861-62.

FINANCIAL DEPARTMENT, }

The 26th April 1861. }

1861-62.]

diture of India for the Year 1861-62.

EXPENDITURE.	Regular Estimate, 1860-61.	Budget Estimate, 1861-62.
<i>In India.</i>	£	£
Claims and demands on the revenues (including charges of collection, and cost of Mint, Post Office, Electric Telegraph, Salt and Opium)	7,928,504	G 7,964,741
Civil and Political Establishments (including all contingent charges, except Mutiny Compensation)	2,943,385	H 3,096,916
Law and Justice	4,004,500	{ 1,567,647
Police		{ 2,234,700
Public Works—Civil (Buildings, Roads, Canals, &c., including Repairs charged to Imperial revenue, excluding Local Works charged to Local Funds)	2,783,778	J 3,098,629
Public Works—Military	1,008,010	538,871
Army	15,279,005	K 12,800,000
Navy and Marine	856,870	536,000
Interest and Debt	3,168,819	3,316,180
Eastern Settlement—Charges	131,411	95,255
Expenditure in India...	38,104,282	35,248,93
<i>In England.</i>		
Home Charges—Civil	1,495,561	1,250,000
Ditto Military	2,772,610	2,500,000
Interest on Debt	1,089,822	1,255,760
Total Expenditure, excluding Railways	43,462,275	40,254,699
Guaranteed Interest on Railway Capital, less net Traffic Receipts	1,218,850	1,300,000
Loss by Exchange on Railway Capital	473,324	.....
Total Expenditure, including Railways	45,154,449	41,554,699
Transfer to Local Budgets ... ..	.....	500,000
		41,054,699
Surplus, excluding Railways	deficit	1,539,896
Surplus, including Railways	deficit	239,896

G This includes £350,000 not in 1860-61 for increased cost of Opium, Salt, and Income Tax.

H This includes £150,000 for Famine Contingencies.

J The expenditure from Local Funds amounting to £223,900 in 1860-61, and £506,000 in 1861-62 is excluded in both cases. The total outlay on new works of improvement, Imperial and Local, will be £540,000 more in 1861-62 than in 1860-61.

K Army—This consists of £12,199,240, the estimated expenditure, for a year, of the Force now established, and of £600,760 being the Estimate for Gratuities, Bounty, Pay, and other expenses, until the reductions ordered are fully carried out.

C. H. LUSHINGTON,

Secretary to the Government of India.

[1861-62.]

MEMORANDUM of Estimated Cash Balances in the Indian Treasuries on the 30th April 1862.

1861-62.]

RECEIPTS.		DISBURSEMENTS.	
	£		£
Revenues	...	Charges in India less transfer to Local Budgets	34,748,939
Local Taxes to meet transfer to Local Budgets	...	Transfer to Local Budgets	500,000
Railway Earnings	...		
Debt	10,212,064		
Add—Local Funds	230,035	Interest, Railway Capital in India...	37,300
			35,248,939
	10,442,099		37,300
Supplies from London	...	Debt	9,593,205
Estimated Cash Balances on the 30th April 1861	...	Add—Prize Money	950,000
	...	Local Funds	506,000
	...	Supplies to London	...
	...	Estimated Cash Balances on the 30th April 1862	11,049,205
	...		6,831,645
	...		14,264,302
	67,431,391		67,431,391

FINANCIAL DEPARTMENT, }
April 1861.

C. H. LUSHINGTON,
Secretary to the Government of India.

FINANCIAL STATEMENT

BY

THE HONORABLE SAMUEL LAING.

APRIL 16th 1862.

In bringing forward the Budget of the Government of India for 1862-63, the first point is to state the result of that of 1861-62.

The circumstances of the last Budget were remarkable.

A chronic deficit, continued with scarcely an intermission for twenty years, had added £50,000,000 to the national debt of India. That deficit 5 had been increased by the effects of the Mutiny, until, in the three years from 1857 to 1860, it reached the enormous average of £12,000,000 a year, and all the efforts of the Government, aided by the imposition of new taxes which convulsed Indian society, had still left us in 1860-61 with an apparently hopeless deficit estimated at £6,000,000. 10

This state of things had caused a general and wide-spread alarm, and so affected credit that a loan was well-nigh impossible, while the steady decline of the Cash Balances seemed to be bringing us rapidly to the point where, without a loan, the expenses of the State could no longer be met. 15

Under these circumstances, the Government of India applied itself vigorously to the further reduction of expenditure,—so vigorously that, as I shall presently show, out of an expenditure of £29,000,000 open to revision, a saving of £5,000,000 was effected in a single year. Then, as often happens when a patient suffering from a lingering malady resolutely 20 breaks off his old habits, nature comes to the aid with its restorative powers, and in a wonderfully short time, he passes from prostration to health. So, in our case, the famine was mercifully arrested; the growing prosperity of the country gave buoyancy to the revenue, the produce of the Stamps surpassed expectation, and the aspect of affairs changed so 25 suddenly that, after finding myself in January struggling with an apparently hopeless deficit, I was able, in April, to my own great surprise and I believe that of every one else, to produce a Budget in equilibrium.

If the feeling here was one of astonishment, in England it amounted almost to incredulity. 30

Indian Estimates had been for years proverbially fallacious, and when I went home in June, the first thing every one said to me was, "Surely,

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this is too good to be true." Even high official authorities thought that I had been too sanguine, and estimated my deficiency at upwards of £1,000,000.

My reply was that time would show; but knowing how carefully the Estimates had been taken on the safe side, I felt confident that, provided the Military reductions which had been ordered were carried out, the result would confirm the Budget.

It has more than confirmed it, and if things had remained as they were in April, there would have been a large surplus.

As it is, although we have spent £1,458,140 more than was contemplated in April, on Public Works and Opium Advances, and have given up the License Tax, we have no deficit.

This result is so vitally important that I am anxious you should understand the process by which the figures are arrived at, and judge for yourselves how far they can be relied upon.

We are now in April, the last month of the financial year, and we have returns of the actual receipts and expenditure nearly perfect, in all cases, for nine, and in most for ten or even eleven months.

I will not say that these returns are absolutely perfect, for our financial machinery is new, and you cannot make men Accountants, or make them understand novel Forms, in a day. Reforms are being introduced by which we hope to make the machinery of financial administration as perfect in India as it is in England, but in the mean time it is greatly improved, and with returns of all the more important actual results for ten months of the year carefully checked, the margin of possible error in our revised Estimates must be very narrow.

Moreover, there is one test which may be applied with unerring accuracy, in ascertaining the general result of our financial situation, *viz.*, that of the Cash Balances.

If a man makes all his receipts and payments through his Banker, and contracts no debts or obligations, the Balance in his Bank-book at the end of the year *must* show whether he has or has not lived within his income.

So, in our case, we have incurred no fresh debt during the present year, our outstanding liabilities have diminished rather than increased, and therefore the state of our Cash Balances affords an answer of mathematical certainty to the question whether we have or have not realized an equilibrium.

But, as in taking the sun's altitude to ascertain a ship's place on the waste of waters, certain corrections are necessary, so, in finding the financial latitude of the ship of the State by the Cash Balances, we must be careful to distinguish between what is real and what is only apparent.

I fear these details are wearisome, but the importance of firmly establishing our actual financial position is so vital that I must ask your forbearance.

The apparent aggregate Cash Balance in the different Treasuries of India on the 30th April 1861 was £14,608,121.

On the 31st March 1862 it was £17,690,000, and I will assume it to continue at the same amount up to the close of the financial year on the 30th April, though it showed a large increase in April last year.

1862-63.]

The apparent increase of Balance during the year is therefore £3,082,000.

But, in the first place, we ought to deduct from the Cash Balance of last year a certain amount, not properly belonging to it, consisting of bullion deposited at the Mint for the purpose of coinage. It seems that at Bombay a practice has grown up of leaving large sums of bullion for a considerable time at the Mint, and using the Certificates as a sort of large Bank Notes. The amount of such outstanding Certificates, on the 30th April 1861, was £930,000, and in the Balance of the 31st March 1862 there is no such amount, the operation of the new Currency Act having led to a discontinuance of the practice.

This makes the increase of true Cash Balance during the year equal to £4,012,000. But from this must be deducted what we owe to England on the balance of transactions of the year.

Our revenue is all received in India, but of our expenditure nearly 15 one-fourth, or about £9,000,000, takes place in England.

This is met to the extent of about £6,000,000 by expenditure on Railways, the capital for which is raised in England and retained there, and to a smaller extent by other payments made by India on account of the Imperial Government.

The Balance, which, according to the most careful Estimate I can make for the current year, is £3,000,000, is due to England, and ought to be remitted, or set aside for remittance.

In addition to this, a remittance of £1,000,000 in bullion was received early in the financial year from England, under the apprehension that the famine might have involved us in serious difficulties. Of this £700,000 only has been returned up to the present time, so that on the entire transactions of the year we owe England £3,300,000.

This reduces the true increase of Cash Balance on the 31st March 1862, over the 30th April 1861, to £712,000. But I am aware of no other corrections, and am totally unable to assign any reason, other than that of *bond fide* excess of income over expenditure, why the Cash Balance should show any increase. This indicates a result better by £570,000 than is shown by taking the aggregate of the separate Estimates of revenue and expenditure revised with the experience of ten months' returns of actual results.

In using the figures, therefore, of this revised Estimate, I think you will feel that I am very near the truth, and, if anything, rather within it.

Now what results do these figures show?

First, as regards expenditure, which is the keystone of our financial situation, I invite your attention to the salient fact that out of a total of £29,000,000 of expenditure which was open to revision, we have, in one year, effected an actual saving of upwards of £5,000,000.

The interest of debt, the Home expenditure, payments under treaties, and the cost and charges of collecting the revenue are not susceptible of reduction. On the contrary, the latter charges tend necessarily to increase with the growing prosperity of the country and the increase of revenue.

Deducting these, the aggregate of Military, Naval, and Civil expenditure of every description was £29,365,066 in 1860-61, and £24,293,787 in 1861-62, the difference being £5,071,279.

[1862-63.]

And out of this we shall have spent fully £750,000 more on useful Public Works in 1861-62 than in the preceding year.

The larger part of this great saving is in Military expenditure, which has been reduced from

5 £20,909,307 in 1859-60,
 £15,838,980 in 1860-61,
 to £12,800,000 in 1861-62.

This is the fruit of the measures by which the Native Armed Force, including Military Police, has been reduced in two years from 350,000 to 10 less than 130,000 men, and the European Army, in round numbers, from 90,000 to 70,000. I cannot refrain, however, from stating publicly how much the Government of India has been indebted to Colonel Balfour and his colleagues of the Military Finance Department for the satisfactory result we have been enabled to realize.

15 I have pleasure also in stating my conviction that this large saving, and the further saving which I shall presently show for the ensuing year, have been attained without any sacrifice of efficiency or of the comfort of the soldier. On the contrary, I believe that what with the improvements of modern Science in armaments and sanatory arrange- 20 ments; the increased facilities for moving troops and supplies by roads, railways, and steamers; the concentration and secure hold of all Fortresses, Arsenals, and Artillery, and the weeding out of elements of weakness and danger in the Native Army: at no moment of our previous history did our Military power in India ever stand on such a sound and secure basis 25 as it does at the present day.

The other reductions in the current year have been £426,000 in the Navy and Marine, and about £1,500,000 in the various branches of Civil expenditure chiefly under the head of Miscellaneous and Contingent Expenses.

30 If we compare the actual expenditure of 1861-62, not with the results of 1860-61, but with the Budget Estimate of last April, there is an increase of £1,714,370, of which £1,458,140 is accounted for under the two heads of Opium Advances and Public Works.

We shall pay £714,000 more for Opium Advances than was esti- 35 mated, owing to the advance of price to the cultivator and large increase of cultivation.

As regards Public Works, it was intended that £500,000 should be transferred to Local Budgets, and provided for by local taxation. This intention has not been carried out, for a very obvious reason, *viz.*, that 40 new constitutions having been given to the three Presidencies, it would have been manifestly improper to anticipate the action of the Local Legislative Councils in a matter which is so peculiarly their province.

I am as strongly as ever in favor of the principle of local taxation 45 for local objects. In fact, if this great Empire is ever to have the roads, the schools, the local police, and other instruments of civilization, which a flourishing country ought to possess, it is simply impossible that the Imperial Government can find either the money or the management. The mere repair of the roads, where anything like a sufficiency of good 50 roads has been made, is a matter altogether beyond the reach of any central *bureau*.

1862-63.]

It is of the first importance to break through the habit of keeping everything in dependance on Calcutta, and to teach people not to look to the Government for things which they can do far better themselves.

It is, however, in entire accordance with this policy, not to force local taxation upon them by an Imperial Fiat, but to leave each Government, with the aid of its own Legislative Council and of its own officers, to work out the problem in its own way, subject only to an Imperial control.

In the mean time we give as much we can afford towards Public Works, so as to make whatever may be raised from local sources a clear addition.

In the present year we have not only taken upon ourselves the £500,000 which was to have been provided from local taxes, but we have further assigned another £500,000 of which half will probably be spent in the course of the year, *viz.*, £380,000 on account of the 1 per cent. Income Tax, and £120,000 as a special grant for cotton roads.

Apart from these two unforeseen causes of expenditure, *viz.*, Opium and Public Works, the net increase of actual expenditure of 1861-62 over the Budget Estimate will not exceed £256,130, a result which, in a total Indian expenditure of £36,463,000, will not be considered as inaccurate for a first attempt at a Budget.

The revenue, on the other hand, shows an increase of £1,616,492 on the Budget Estimate.

Of this £870,000 arises from land, including Sayer and Abkarry; £340,000 from Stamps; and £370,000 from Customs: arising in each case from the Estimates in April having been taken with too wide an allowance on the safe side.

Income Tax has yielded almost exactly the estimated amount, or £1,942,990 instead of £1,948,094.

Salt shows a decrease, which can, however, be satisfactorily shown not to have resulted from any falling-off of consumption, but from a large decrease in the stock of duty-paid salt.

All the other branches of revenue show continued buoyancy.

On the whole, therefore, the result is that, although we have remitted the License Tax and spent £1,458,000 more than we expected on Opium and Public Works, we arrive at April 1862 with as nearly as possible the same result as we promised in April 1861, *viz.*, with a substantial equilibrium, or, as the Cash Balances indicate, with a surplus of £700,000.

Now for the year 1862-63. As the simplest plan, I will begin by taking the Budget as it would stand, with no changes of taxation, and no special additions to last year's grants for Public Works and Education.

The revenue of 1861-62 is £42,911,090, that of 1862-63 is estimated at £43,796,200, showing an increase of £885,110.

The most important point in this Estimate is to know how Opium has been taken.

The latest price was 1,471 Rupees per chest. I have assumed that, with the increased supply coming forward after 1st January next, prices may gradually fall to 1,000 Rupees a chest, and that, taking the year through from 1st May 1862 to 1st May 1863, we may realize on the average half way between that limit and the present price, or 1,237 Rupees a chest; but to keep on the safe side I have taken it at 1,200 Rupees.

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I believe this to be a fair and moderate Estimate, especially as the price is no longer a speculative one, but is apparently based on the *bond fide* demand of the China market, and has been remarkably steady for some months.

The principal heads of increase in revenue are, Land £400,000; 5 Stamps, £300,000; and Public Works, £200,000: the two latter not so much from assumed increase of receipts in 1862-63, as from finding on closer investigation that the actual receipts of 1861-62 had been greatly under-estimated. Of the increase in Land Revenue, £110,000 is a mere transfer from another head, and the remainder is mainly owing 10 to the cessation of the famine in the North-West and Punjab.

The other branches of revenue generally show buoyancy; but wishing to keep on the safe side, I have, generally speaking, taken them at the figures indicated by the actual results of 1861-62. The general result is that the revenue of 1862-63 would be better than that of 1861-62 by 15 £885,110, supposing no changes to be made in existing taxation.

The total Indian expenditure of 1862-63 is £35,905,521 as against £36,463,309 in 1861-62, or less by £557,788, assuming for the moment no extra grants for Public Works and Education beyond those of this year.

This expenditure may be readily analysed into two parts, as we did 20 in comparing 1861-62 with 1860-61; the first consisting of charges beyond our control as interest on debt, Home charges, and cost of collection; the second of charges open to revision, like those for the Army, Navy, Police, Law and Justice, and Civil Administration.

The former class of charges amounted to £11,043,173 in 1860-61; 25 £12,169,522 in 1861-62; £12,350,500 in 1862-63. And they will be

The main causes of increase in 1862-63 are the extension of Opium cultivation; of Revenue Surveys; of Post Office and Electric Telegraph charges, owing to more work and better administration; of Mint charges, 30 owing to copper coinage; and of Stamps, owing to increased revenue.

The second class of charges open to revision amounted to £29,365,066 in 1860-61; £24,293,787 in 1861-62; and £23,454,087 in 1862-63; or £839,700 better in 1862-63 than in 1861-62, which was itself £5,071,279 better than 1860-61.

35 The greater part of this improvement is owing to our Military expenditure, which again shows a reduction.

The cost of the Army defrayed in India stands as follows for the last four years:—

40 £20,909,307 in 1859-60;
£15,838,980 in 1860-61;
£12,800,000 in 1861-62;
£12,200,000 in 1862-63.

The saving of £600,000 next year, as compared with 1861-62, is due partly to further reductions of the Native Force, and partly to the 45 strength of the European Army having come down more nearly to the established strength.

Since the commencement of the present year the Government has ordered, in addition to the large reductions of last year, the reduction of eight Madras Native Regiments, eight Corps of Bengal Military Police, 50 and some other reductions, which will have the effect of bringing the total Native Armed Force of every description down to about 125,000.

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A still larger saving results from the absorption of European Supernumeraries.

During the year 1861, we have had, on the average, fully 4,000 European Soldiers in India above our established strength, who cannot cost, including everything, less than £ 45 per head. We have had also to provide in 1861-62 for a Home Military charge almost identical with that of 1860-61. 5

A reduction is at length effected in this charge, and I am too happy to receive it to scrutinize closely whether it might have been made earlier.

I certainly thought that although it would have been unreasonable to expect England to take back Regiments without notice, it was not too much to hope that when the established strength of Europeans for India had been determined upon at Home within a very narrow margin of its present amount, as long ago as the autumn of 1860, steps might have been at once taken to stop recruiting and bring the *depôts* in England down from the excessive strength at which they had been kept for English not Indian objects, so that the finances of India, then in a very critical state, might have received more effectual aid at an earlier period. 15

However, "all's well that ends well." We have surmounted our crisis and at length got the European Force nearly down to its established strength, and have assurances from Home that recruiting is suspended for all Regiments still in excess; I have no wish therefore to prolong controversy, and although perfectly ready to prove and justify every word I have said on the subject, I am ready, speaking for Indian finance, to let "bye-gones be bye-gones." 25

At the same time, I am not sorry that public opinion in England has been directed to the subject, and that the Secretary of State can now reckon, as I believe he can, on the support of influential interests, in resisting any attempts to revive the practice, so pleasing to an English Chancellor of the Exchequer, and so displeasing to an Indian one, of keeping 10,000 or 15,000 additional soldiers in England at the charge of India. 30

The expense of the Navy and Marine is brought down to £472,000, or £150,000 lower than it was last year, and £576,224 lower than it stood at in 1860-61. 35

Other charges nearly balance each other. We save £135,000 in Police, and spend £110,000 more in the extension of Law Courts and the Administration of Justice.

Miscellaneous and contingent expenses are diminished, while salaries and superannuations are slightly increased, the cause in each case being mainly a more accurate classification. 40

The general result is that we are better, on our voluntary expenditure, by £839,700, and worse on our involuntary expenditure, by £281,912, making us better on our total Indian expenditure by £557,788.

On the balance of Home charges and receipts, as shown by the Estimate sent by the Secretary of State, a copy of which I lay on the table, we have £43,774 less to provide than was estimated for in 1861-62. 45

But, on the other hand, we have £200,000 more to provide for the excess of Railway guaranteed interest over net traffic receipts, a result which is not surprising with such a great extent of unfinished line in course of construction. 50

This concludes the comparison of 1862-63 with 1861-62.

We are, in all, £1,286,672 better than in 1861-62, and as the revised accounts of that year showed a surplus of £142,021, we have a surplus in 1862-63 of £1,428,693, irrespective of the changes now to be proposed.

5 In the first place, we propose to give £146,453 more than will be spent, this year, to Education, Science and Art, bringing the grant for these objects up to £500,000.

This amount will not appear inconsiderable when it is recollected that it is more than England gave for education ten years ago, and is
10 even now in a larger proportion to our total expenditure than the present English grant is to that of England. At the same time, it is a small sum compared with the magnitude of the field which we wish to reclaim from ignorance, and I am persuaded that no Member of this Council will
15 grudge the money for such an object. I will not touch on the mode of applying this increased grant, for any attempt to do so would lead me too far from the proper object of what is merely a Financial Statement.

As regards Public Works, we propose to provide as follows:—This year, as I have shown, we have provided for £1,000,000 more than was
✓ estimated for in April, and have given from Imperial revenue, 1st, an
20 original grant of £3,680,000, 2ndly, an extra grant of £120,000, and 3rdly, £380,000 on account of the 1 per cent. Income Tax.

The latter goes to the Local Governments in aid of their Local Funds, and is spent by them, subject only to our general control. They have not spent £300,000 of this money, owing to the late period at which
25 the allotment was made, and, strictly speaking, we might postpone a second year's allotment until twelve months after the first one, and thus throw the bulk of it into 1863-64.

But we think it better to credit the Local Governments with the £300,000 standing over from 1861-62 out of the surplus balance of that
30 year, and credit them at once with the further £380,000 due for 1862-63. This will place the Imperial Government in advance instead of in arrear to the Local Governments under the Income Tax Act, and give those Governments an opportunity of commencing as much useful work as they can profitably undertake by the next cold season. It will give them, with
35 their own Local Funds proper, a very large sum of upwards of £1,000,000 available for 1862-63, irrespective of Imperial assignments; but we trust to them not to hurry forward work so as to cause useless expense, especially as any portion of this local money remaining unspent at the end of the year will be carried forward as a Balance to the credit of their Local
40 Funds, and will not affect their next year's assignment.

For the Imperial assignment which is spent under the direct control of our Public Works Department, we propose to give £200,000 beyond last year's assignment of £3,680,000.

We shall thus give in all £4,260,000 for Public Works from Im-
45 perial revenue, and shall provide for an expenditure from all sources, Imperial and Local, of over £5,000,000 in the year, of which not above
✓ £500,000 will be for Military works.

This absorbs another £380,000 of our surplus, and, with the increased grant for education, leaves a surplus of £903,880.

50 The question how to apply this surplus is one for the gravest consideration.

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At all hazards we must keep clear of a recurrence of financial embarrassments; on the other hand, investing as we do so largely in Public Works, it is not politic to keep up objectionable taxes for the sake of retaining a further money surplus, which would only invite to extravagance.

The question is, can we, or can we not, safely apply our present 5 surplus in relief of taxation?

To answer this, it is absolutely necessary to look beyond the present year and take a general view of Indian finance.

In any estimate of the financial prospects of India, Opium necessarily demands our first consideration. We are deriving a net income 10 of £4,000,000 a year from this source, and if, as is sometimes asserted, this income is altogether precarious, our position is still one of great hazard.

I have thought it right, therefore, to take every means in my power of thoroughly satisfying myself on this head, before I venture to propose 15 any reductions of existing revenue.

The result is, that I can see no reason why the revenue derived by India from Opium should be considered more precarious than that derived by England from Gin or Tobacco.

I believe the cry of the precariousness of the Opium revenue has originated very much from the strong aversion felt to it in certain quarters on moral grounds.

This is not the place to go into any lengthened argument as to the moral bearings of the question. I have heard the most contradictory opinions advanced in perfect good faith by respectable men who had been in China, some denouncing Opium as a deliberate poisoning of the 25 Chinese for the sake of filthy lucre, others contending that it had produced a most beneficial effect by substituting a comparatively tranquil stimulus for the wilder excitement of intoxicating drinks which led to bloodshed and crimes of violence.

My own belief is that the truth lies between the two extremes, and 30 that Opium is neither very much better nor very much worse than Gin.

This much seems certain in speculating on the probable continuance of a demand for Opium in China: Every civilized or semi-civilized race of mankind seems to affect some peculiar form of nervous stimulant, and as the natives of Northern Europe take to Alcohol, so the Chinese take 35 to Opium. Possibly, in each case, the craving is for something to supply an innate want. The Englishman, the Dane, the German, and the Russian resort to that, the specific effect of which is to raise the spirits, and produce temporary exhilaration.

The Chinese, whose greatest deficiency, as shown by the whole 40 history, religion, and literature of the race, is in the imaginative faculties, resorts to that which stimulates the imagination and makes his sluggish brain see visions and dream dreams.

Be this as it may, the fact is certain, that under all circumstances and in all climates, as the Englishman is a drinker of Beer, so is the 45 Chinaman a smoker of Opium.

We have, therefore, at the bottom of our Opium revenue one of those great natural instincts of a large population upon which English Chancellors of the Exchequer confidently rely for half their revenue.

It is, of course, theoretically possible, in the case of Gin, Whiskey, 50 Rum, and Tobacco, that the exhortations of the temperance advocates in

the former case, and of the ladies in the latter, might, at any moment, so far prevail, as to induce the population generally to abstain from habits which are in many cases pernicious, and in many more wasteful and disagreeable.

Should they so prevail, the finances of England, and, indeed, of almost every country of the civilized world, would collapse far more suddenly and hopelessly than ours would in India by the failure of Opium.

But, as I have said, an English Chancellor of the Exchequer goes on with equanimity, relying on a taxation of 400 or 500 per cent. *ad valorem* on Spirits and Tobacco for £20,000,000 of his revenue, and while this is the case, I can see nothing in any general considerations as to Opium to prevent us from doing the same.

The question is altogether a specific one of selling price and cost of production. Is there anything in the actual condition of our Opium revenue to render precarious the continuance of that which has gone on steadily growing for the last ten or fifteen years?

With the short supply and excessive prices of the last two years, no doubt this was the case.

We were not in the least degree weaning the Chinese from the use of Opium, but we were stimulating the production of a native article, which, although inferior in quality, was fast entering into competition with us.

But the question is not one of maintaining a price of 2,000 or even 1,500 Rupees a chest for Indian Opium.

Measures have already been taken which will increase the average production of Bengal Opium to about 50,000 chests a year, while that of Malwa exceeds 40,000, and the question is, at what price is China likely to take this quantity off our hands?

On referring to the returns of the last ten years, I find the following results as to the supply of Indian Opium exported to China each year, the average price, and the approximate amount which China has paid to India each year for Opium:—

YEAR.	No. OF CHESTS.			Average price of Calcutta Sales.	Approximate sum paid for Opium by China.
	Bengal.	Malwa.	Total.		
				Rs.	£
1852-53	35,521	27,111	62,632	1,104	6,800,000
1853-54	42,403	28,473	70,876	887	6,200,000
1854-55	49,979	24,672	74,651	711	5,250,000
1855-56	40,399	25,999	75,398	834	6,225,000
1856-57	42,272	29,589	71,861	891	6,300,000
1857-58	40,128	39,797	79,925	1,285	10,240,000
1858-59	30,871	42,000	72,871	1,487	10,500,000
1859-60	25,253	44,002	69,255	1,675	11,500,000
1860-61	21,263	40,703	61,966	1,921	11,750,000
1861-62	24,063	36,000	70,063	1,600	11,200,000
Average of first five years, 1852-57			71,083	885	6,120,000
Average of second five years, 1857-62			70,600	1,593	11,000,000

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This Table shows that notwithstanding great fluctuations of price and of supply from year to year, the opium trade with China is amenable to certain general laws.

There has been a progressively increasing demand, which, being met by a stationary supply of about 70,000 chests a year, has, in ten years, 5 nearly doubled the price, and called into existence a supplemental native supply, estimated by those acquainted with the trade at from 20,000 to 30,000 chests, selling at perhaps two-thirds of the price of Indian opium.

There is conclusive evidence, therefore, that as matters stand, China requires every year a supply of 100,000 chests of opium, and is prepared 10 to spend from £12,000,000 to £15,000,000 on the article.

When I say China, I mean that part of the vast Empire with which we have commercial relations, for of the interior we know very little. It is probably supplied largely by Native opium, as the late expedition saw an extensive poppy cultivation above Hong-Kow. 15

Now to maintain our existing revenue all we require is not to maintain existing prices, but that China shall, one year with another, take from us either 80,000 chests at 1,000 Rupees a chest, or 100,000 chests at 800 Rupees a chest. We can produce opium in Bengal, even with the present high price to the cultivator, at 400 Rupees a chest, and 20 experience has proved that with a pass duty of 400 Rupees a chest, Malwa opium admits of rapid extension.

In fact, the cultivation of opium is so profitable to the ryot, and so popular that we can get almost any quantity we like at those prices, especially in our own territories, where the profit to the cultivator is not 25 curtailed by excessive land assessments, transit duties, profits to middlemen, and usurious interest on advances.

This year, our net revenue from opium is at a low point, for we are paying a high price for double the production which we are bringing into the market. 30

Our gross receipts are about £6,000,000, but we are paying, not £1,000,000, which would suffice for the quantity we have to sell this year, but £2,000,000, for the crop which will only come into the market next year.

The conclusion, therefore, is irresistible, that there is no risk of our 35 actual opium revenue diminishing, unless the demand in China should so far fall off as to be unable to spend £8,000,000 a year on Indian opium, while this year, and for the average of the last five years, they have been spending £11,000,000.

Should they continue to spend £11,000,000, our net revenue from 40 opium must infallibly improve, and if, as some think, Indian opium, if it could be sold at about 450 Dollars a chest in China, would almost supersede the Native article, there is really no limit to the progressive increase of revenue from this source, I think myself, viewing the matter as dispassionately as I can, that the probabilities are rather in favor of an 45 increase than a decrease of opium revenue for the next few years, but I am satisfied if I have established that the existing revenue is not more precarious than any other revenue depending on a widely diffused artificial taste among a vast population.

This being so, I proceed to examine what are the prospects of the other 50 great branches of Indian revenue, and here the result is most satisfactory.

The total revenue of India, ten years ago, was £29,210,000,—it is now £43,750,000.

The average revenue of the three years before the mutiny, or 1854-55 to 1856-57, was £31,980,000,—that of the three years, 1860-61 to 1862-63, is £43,203,000.

We have therefore an increase of £14,500,000 a year in ten years, and of £11,000,000 a year in five years.

Of this increase not quite £1,500,000 is due to opium, and about £5,000,000 to new taxes, as the income tax and enhanced duties on salt, stamps, and customs. Another £1,000,000 may be due to acquisitions of territory.

There remains, therefore, an increase of £7,000,000 in ten years, or of £4,500,000 in five years, which is due solely to the elasticity of existing revenue:—land, for instance, including sayer and abkarry, and salt, irrespective of enhanced duty, have each risen upwards of £2,000,000 in the last five or six years.

It is an incontrovertible fact, therefore, that the progressive increase of ordinary Indian revenue has averaged £700,000 a year each year for the last ten years, and that the tendency of this rate is to increase rather than diminish. Nor can it be doubted that if, during this period, £5,000,000 a year had not been added by new taxation, the increase of the old taxes must have been somewhat greater.

I confess that I was hardly prepared myself for this result. “

I came out here under the impression of the gloomy and almost despairing views of Indian finance which were universally prevalent a year ago, and it is only by degrees, and as the result of close enquiry, that the conviction has forced itself on my mind, that the revenue of India is really buoyant and elastic in an extraordinary degree.

I know of no other country of which it can be said that her ordinary revenue is increasing by £750,000 a year, while her expenditure has in one year been reduced by £4,000,000; and that she is maintaining an equilibrium while expending out of revenue upwards of £4,000,000 a year on Public Works, and another £1,000,000 for interest on unfinished railways.

Nor can I see any reason, looking to the future, why, if by the blessing of Providence, peace be maintained, this prosperity should not go on increasing. On the contrary, we are apparently commencing a period when, by the opening of communications, the improvement of agriculture, the extension of commerce, and the tranquillity resulting from a strong Government directing all its energies to peaceful pursuits, India will enter on a career of material prosperity hitherto unexampled.

Without speculating, however, on any such future advance, it is enough to say that, under existing circumstances, the Government feel justified in dealing with any surplus shown by the Estimates, as a *bond fide* surplus available for improvements or remissions; and that they do not think it would be good policy to maintain in addition to the large expenditure on Public Works which is really a sinking fund admirably invested, a further cash surplus, against remote contingencies, which would only be a temptation, both here and at Home, to relapse into extravagance.

There is one objection, however, to any reduction of existing taxes, which I am anxious to meet, in order to show that the Government is not acting without a full consideration of all circumstances.

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It is this, that a war or some unforeseen event may suddenly cause increased expenditure, and that it is imprudent to part with any established tax, which, in such a case, might be needed.

I quite agree that it is wrong for a Government to speculate on financial prosperity, and to leave itself bare of resources in case of difficulty. 5

But what are our reserves, and how should we be prepared to face a crisis if it arose?

In the first place, we have got, and, if prudent, shall always keep, a very large Cash Balance beyond our immediate wants. 10

Under the old system a Cash Balance of £10,000,000 has sufficed, and with railways, an improved currency, and arrangements with banks, we could carry on the ordinary business of the Government with perfect ease, with a balance of £7,000,000 or £8,000,000.

Now we have actually got over £17,000,000, and, after allowing for all liabilities to the Home Government or otherwise, fully £14,000,000 of this is our own undoubted property. We could, therefore, in case of need, get over two or three little wars, or the first year of a great war, without either loans or new taxes; and I earnestly trust that no Government of India will ever leave itself without this, which is the first and best of all reserves; an available £3,000,000 or £4,000,000 in hard cash, on which it can lay its hands at any moment. 15

Beyond this the credit of a Government is its reserve, and if, by two or three years of tranquillity, we raise our funds to a comparatively high level, as we infallibly shall do, our money power, in case of an emergency, is proportionately increased. 25

And if driven to resort to increased taxation, it would be easy, with the experience of the income tax, to frame a measure, partly poll tax and partly license tax, to produce £1,500,000 or £2,000,000 a year. The duty on salt could also be raised, and, in case of need, the customs duties again increased, so that probably £3,000,000 or £4,000,000 a year could, at any moment, be raised by new taxation, which would be submitted to readily, as the country had learned from experience to trust the assurances of the Government that war-taxes would be repealed with the return of peace. 35

Moreover, at least £2,000,000 a year of our expenditure on Public Works is optional, and could be suspended in an emergency.

I trust we may never be driven to such a measure, but the reserve is not the less there, if needed, and I know of no other State, not even England, which possesses such a reserve to the same extent. 40

I hope, therefore, I have satisfied the Council that the Government has not been unmindful of the maxim, "*si vis pacem para bellum*," and that whatever reductions we propose may be accepted with a safe conscience.

I have now established two points:—

First.—That we have a surplus for the ensuing year of £903,814 45 after allowing for additional grants for Public Works and Education.

Secondly.—That there is nothing in the general circumstances of Indian finance which should make us hesitate to use this surplus for purposes of remission.

I have dwelt upon the second point at a length which must, I fear, have wearied the Council, but many watch these statements with interest,

and it is important, both for myself personally, as I may not have another opportunity of expressing my general views respecting Indian finance, and, what is of far more consequence, it is important for the credit of the Government, to show that in proposing to remit taxes, in little more
5 than twelve months after we were supposed to be in a state of hopeless insolvency, we are not acting on a spasmodic impulse, but on a comprehensive and deliberate review of the whole circumstances of our position.

I proceed to state, what is of more immediate interest, how the
10 Government propose to deal with this surplus of £900,000.

Three taxes were proposed as special measures to meet the late financial crisis,—the income tax, the license tax, and the enhanced customs duties on manufactured goods.

Of these the two former pressed directly on the Native population
15 and European residents of India, while the latter pressed mainly on English interests, and on the operations of commerce.

The license tax, which would have affected 5,000,000 of Native traders, artizans, and mechanics, representing, with their families, a population of not less than 20,000,000, has been arrested after it had
20 become law.

Even if the produce of the two remaining imposts had been the same, so that it had been equally easy to repeal the income tax or the enhanced import duties on manufactures, the claim of commerce to the next share of remission might have been urged with some
25 plausibility.

But, in fact, there is no such choice, for one is possible and the other impossible. The income tax produces £1,800,000, while the enhanced duty on piece goods and yarns produces less than £500,000. At the rate of importation for the last nine months, the difference between a
30 per cent. and a 5 per cent. duty on piece goods for all India is not quite £450,000 a year.

This being the case, the time has evidently arrived when the extra duty imposed to meet an emergency should be remitted, unless we are prepared to retain it as part of our regular financial system.

35 Some think this ought to be done, and no less an authority than His Honor the Lieutenant-Governor of Bengal has recorded an opinion that a 10 per cent. duty on imported manufactures is "one of the most legitimate sources of revenue we have."

The Government, however, are of a different opinion for two very
40 plain and obvious reasons.

Firstly, the duty applies almost exclusively to British manufactures. Now, as long as England and India remain parts of one great Empire, it is impossible to apply precisely the same rules as if they were separate and independent countries. I have opposed, as stoutly as any one, any
45 attempt to ease English finance unduly at the expense of India; but I cannot deny that England, having founded the Indian Empire, and being ready to sustain it, and having given up all pretensions to exact a tribute, as Holland does from Java, or Spain from Cuba, and all claim on a monopoly of the Indian market and carrying trade, may, with some
50 reason, ask India so to levy the necessary revenue as not to interfere injuriously with trade between the two countries.

In fact, so completely has England given up those claims which other countries have enforced on their dependencies, that speculative reasoners have even argued that the parent State would be better without its Foreign and Colonial Empire.

That is an opinion which no practical Statesman will for a moment entertain; but it cannot be denied that, apart from moral and political considerations, the extension of commerce is the most direct and palpable advantage derived by England from the possession of India.

A heavy import duty, therefore, on trade between England and India, comes very near in principle to a transit duty between different parts of the same Empire, and what is more important than any theory, it is a tax which, in practice, is not likely to be permanently maintained.

To those who argue this point on abstract grounds, and overlook the practical considerations arising from our actual position with regard to England, I would simply put two questions,—do you believe that if Ireland found it more convenient to tax Manchester goods than to levy a poor rate, she would be allowed to do so? or do you believe that if it were found that 25 per cent. would give India a better revenue than 10 per cent., we could raise the duty to that amount with the slightest chance of retaining it?

But, secondly, there is another argument, even more conclusive, against the permanent retention of a 10 per cent. duty.

Either the clothing of the people is a proper subject for taxation, or it is not; if it be so, on what possible principle can we impose a considerable duty on clothing which comes from abroad, and levy no duty at all on clothing produced at Home?

It is the old question of the Corn Laws over again.

Free-trade does not mean that there shall be no taxes, but that taxes shall be levied solely with a view to revenue, and not partly for revenue and partly for protection.

That every customs duty on an imported article should have a corresponding excise duty on similar articles produced at Home, has therefore become an axiom, and it only admits of one exception, where the amount of import duty is so moderate that it does not seriously affect trade, while it makes it obviously inexpedient to establish an excise machinery for the sake of levying a trifling duty.

This is the case with regard to corn in England, where a duty of 1s. a quarter equal to 5 per cent. on the cheaper sorts of foreign grain is retained, and it is precisely our case with regard to piece goods.

We cannot dispense with customs duties on our imports generally, and while this is the case, no reasonable man can object to our retaining an old accustomed duty of 5 per cent. on manufactured goods; but when this is raised to 10 per cent., which, in effect, may often amount to 15 or 20 per cent. on the cost price of the article at Home, no one who is not prepared to abjure the principles of free-trade can deny, that this is a rate which, if it is to be maintained, requires us at once to impose a countervailing excise duty on every loom in India.

The Government do not think that this would be desirable.

We do not wish to discourage manufactures in India. On the contrary, I believe, there are many manufactures in which India is calculated to excel.

With cheap raw material, cheap labor, and many classes of the Native population patient, ingenious, and endowed with a fine touch and delicate organization, I see no reason why the interchange between India and Europe should be confined to agricultural produce against manufactures, and why, in course of time, manufactures of certain descriptions where India has a natural advantage, may not enter largely into her staple exports.

But because I desire to see this, I am the more anxious not to bestow on Indian manufactures the fatal boon of a temporary and precarious protection.

Whatever step they make forward in fair competition with Manchester will be a solid and substantial advance, but they will never thrive while the progress of one year creates the panic of the next, by changes, ~~or~~ rumours of changes, in a protective duty of so high an amount as necessarily to form a vital element in all their calculations.

I may add this, that although the benefit to India, generally, from a reduction of this import duty, is not so palpable and immediate as from the remission of a direct tax, it is not the less real.

There can be no question that the population of India are, on the whole, insufficiently clothed, and that whatever may be the case under the temporary conditions of an over-stocked market, an extra duty of 5 per cent. on imported cotton clothing does, in the long run, raise the price of all cotton clothing in India to the consumer, to a level, higher by one Rupee in every 20 than it would have stood at otherwise.

It is certain also that the export trade, on which so much of the prosperity of India depends, depends itself very much on the import trade. The more we take from England, the more will England take from us; and a cessation of imports would soon translate itself into a reduced price to the ryot for his oil-seeds, his cotton, and his jute.

This is especially important at a time when India is hoping to secure the largest share of a trade of £20,000,000 a year in raw cotton, thrown suddenly open by the failure of the American supply.

For these reasons the Government of India has determined to reduce the import duties on piece goods and yarns to the old rates of 5 and 3½ per cent. respectively.

The question arises, when this reduction should take place.

All public interests point to its being immediate. Trade must be paralyzed to a great extent by a prospective reduction, and if, for a period of several months, purchasers hold back and stocks accumulate in bond, there is every reason to apprehend a greater fall of price than could possibly be caused by an immediate reduction.

This could only be met by fixing a very distant period for the reduction, but I confess that, in the present state of things in Lancashire, I should be very unwilling to postpone, for a single day, any benefit they may get from this reduction.

The only argument I know of for delaying the reduction is, that there are large stocks of duty-paid goods.

Now I must say the holders of such goods have had fair warning. I have repeatedly stated in public in the course of the last year that the Government of India did not consider the 10 per cent. duty as a permanent one, and in reducing the duty on yarn twelve months ago, we gave 1862-63.]

a practical proof of our intention to reduce the duty on piece goods at the first possible moment. The state of the Cash Balances has shown for months past that such a result was possible, and, since the remission of the license tax, no one could doubt that it was highly probable, or rather, almost certain.

Throughout this period we received memorials from the Chambers of Commerce of Calcutta, Bombay, and Madras, urging reduction, and either expressly deprecating delay, or making no allusion to it.

It is only at the last moment that memorials have been received from a few highly respectable firms at Calcutta and Bombay, asking that the reduction should be postponed for a long period, or, in the latter case, I may say indefinitely, until the state of the market is changed. Other firms in Calcutta have sent a counter-memorial for immediate reduction.

It appears, therefore, that opinions here are divided, and that the opinion in favor of delay is apparently not a very clear and decided one, or it would never have left itself to be expressed as an after-thought at the last moment. Moreover, it is apparently confined to merchants who might have bonded, but who preferred paying duty, and who, therefore, probably were on the right side when the duty was raised three years ago.

And what is more material, the merchants and manufacturers in England, who, I apprehend, would generally bear the loss if there is a fall of price consequent on the reduction, which I do not expect, have not only not asked for delay, but have pressed most earnestly in all the reports I have seen of their proceedings for an immediate reduction of the whole 10 per cent.

Under these circumstances, the Government see no sufficient reason to depart from the usual and accustomed course in such cases, which is clearly best for the interests of the public; and I accordingly propose that the reduction of the duty shall take effect from the passing of the Act on Wednesday next.

Under ordinary circumstances, I should expect a large part of the loss to be recovered from increased importation; but, with the market still over-stocked and the price of raw cotton extremely high, I do not calculate on any improvement for the ensuing year, though I have no doubt that, with the first favorable change in the trade, a large portion of the loss will be recovered.

The same arguments for reduction as in the case of piece goods do not apply to other articles of the tariff which are not extensively produced in India as well as imported. A moderate duty, such as 10 per cent., on such articles, is not an objectionable mode of raising revenue. There are, however, a few articles in the tariff where relief is required, and may be given at a trifling cost to the revenue.

Paper is taxed 10 per cent. on its value, and yields little more than £10,000 a year. Now I am not going to enter on the large question, which for two years agitated the British Parliament, whether a tax on paper is so obnoxious as a tax on knowledge, that it ought to be repealed even at the risk of creating a deficit. It is enough to say that a duty on the raw material, "paper," is indefensible, while the manufactured article, "books," are admitted free, and that practically cases have arisen where, owing to this anomaly, it has been cheaper to send manuscripts of

works intended for Indian circulation, to be printed in England than to print them here. We do not propose to tax books, and therefore we place paper on the free list.

I may add that though I should not have been prepared to give up a large existing revenue from paper without a clear surplus, I have real pleasure in finding that the state of things in India enables us to give any contribution, however trifling, towards cheapening the cost of an article which enters so largely into the statistics of elementary education, and of the diffusion of knowledge through the press.

10 I pass to a very different subject, that of beer.

The duty before 1859 was 5 per cent. *ad valorem*; it has since been 4 annas per gallon, which, I find, has averaged nearly 20 per cent. on the value of the beer imported. The importation has greatly fallen off, and though this may be attributed mainly to the excessive importation of 15 1859, which glutted the market, still it cannot be denied that a duty of nearly 20 per cent. is excessive, and calculated to check seriously the importation of an article which, in this climate, is to many European constitutions almost a necessary.

Accordingly, I propose to reduce the duty by one-half, or to 2 annas 20. per gallon, and here again I feel a very disinterested pleasure,—for I am no beer-drinker myself,—in being able to propose any boon, however slight, to the class who have perhaps suffered more than any other from recent taxation, that of Europeans residing in India.

The reduction at the present rate of imports will not cost above 25 £10,000 a year.

From beer to tobacco the transition is easy and natural.

The duty on tobacco is so absurdly high that it is clear we are driving all but the superior sorts out of the market, and losing revenue. The duty of 1 Rupee per seer is fully 100 per cent. on ordinary American 30 tobacco, and its effect has been to reduce the importation in three years from 1,200,000 lbs. to about 360,000 lbs., a striking proof of the impolicy of excessive import duties. I propose to reduce the duty to 20 per cent. *ad valorem*, which I have no doubt will cause a slight gain rather than a loss to the revenue.

35 The duty on light wines is also so high as to be almost prohibitory as regards the cheaper descriptions. I propose to reduce it from 2 Rupees to 1 Rupee per gallon, in the case of light wines declared of less value than 12 Rupees per dozen.

There are some other slight reforms in the tariff which do not appreciably affect revenue, and are made with a view to correct anomalies.

For instance, there is an export duty of 3 per cent. on coals and iron, the produce of India. This is as yet of no great practical importance, but it is manifestly wrong that a cargo of Raneeunge coal should be burdened with an export duty, if shipped to Ceylon or Java, to compete with coal from England.

45 There can be no reason why carriages should be imported free, while all the chief materials used in carriage-making pay an import duty.

These, however, and any other minor matters can be dealt with in Committee on the Customs Bill, and for the present it is enough to state 50 that the total effect of the reductions proposed in customs duties may be taken at £475,000 for the ensuing year.

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This reduces my surplus to £128,880.

One question only now remains for consideration, *viz.*, how to deal with the Income Tax.

Some action is requisite, for the Act of last year, continuing the first year's assessments, will soon expire, and it is necessary to provide before August, whether the notices and forms of return prescribed by the original Act shall or shall not be again issued.

Upon this point, there is, I believe, no second opinion among men practically acquainted with India, that they ought not to issue. It is admitted on all hands that the alarm, the vexation, the oppression, and the extortion, inseparable from calling for complicated returns of individual incomes in a country like India, are a far greater evil than the tax itself, and that, assuming such a tax to be indispensable, a rough classification at fixed rates, somewhat on the plan proposed by my Hon'ble friend, Mr. Harington, would have been infinitely preferable to any attempt to ascertain individual incomes.

Accordingly, I had thought last year, when it seemed certain that both an Income Tax and a License Tax would be required to maintain an equilibrium, that the opportunity of passing the License Tax Act should be taken to mould the two together into one measure on the principle of a fixed classification.

Circumstances led, during my absence, to the License Tax being passed in the form originally proposed, and a temporary Act was passed continuing the existing assessments under the Income Tax for one year.

Since then financial prospects have materially improved, and we have been able to arrest the License Tax on the very eve of its imposition, thus saving 5,000,000 of tax-payers from the incidence of a direct tax, and the annoyance of classification.

The situation of matters with regard to the Income Tax is thus materially changed. If we were now imposing it for the first time, or if it were clear that it would be permanent, I should have no hesitation in recommending that it should be commuted into a tax on the principle of Mr. Harington's Bill, and probably made over to the local Governments to deal with on this principle according to their own local circumstances and for their own local requirements.

A proposal of this sort has been made by the Government of Bombay, and it has much to recommend it.

It is most desirable to break through the system of barren uniformity and pedantic centralization which have tended in times past to reduce all India to dependence on the *bureaux* of Calcutta, and to give to local Governments the power and the responsibility of managing their own local affairs.

The great branches of the expenditure such as the army and national debt, are Imperial, and while this is the case the great branches of revenue must remain Imperial also.

But there is a wide field, both of revenue and expenditure, which is properly local, which in England is met by local rates, and which, in fact, must be met locally, or not at all.

I hail, therefore, every proposal which shows signs of independence and self-reliance, and if the Income Tax were to be perpetual, I would much rather see it transferred into a Local tax than continued as an Imperial tax.

But before acting on this view, there is one paramount consideration which has to be weighed, *viz.*, whether the Income Tax is to be looked upon as a permanent or a temporary measure.

Upon this point I have myself no doubt. The tax was imposed for a limited term, and at all hazards we must strive to keep faith with the people of India by not prolonging it.

It is, of course, impossible to give any absolute pledge as to what may occur three years hence. Necessity knows no law, and unforeseen events may upset all calculations. But the question is, are we to look on the implied pledge given by passing the Income Tax Act for five years only, as a serious promise which we must strain every nerve to fulfil, or are we to follow the example of England, and treat it as one of those common forms, which, like "lover's vows," are only made to be broken?

It is my firm conviction that the latter course would be alike wrong and impolitic.

The people of England can understand, that whatever a Chancellor of the Exchequer may say to round a period, or elicit a cheer, the Income Tax cannot be repealed unless they are prepared either to abdicate the position of a first-rate power by disarming, or to retrace the steps of Sir Robert Peel's legislation, by imposing crushing duties on commerce and consumption.

But the people of India see no such reasons for continuing the Indian Income Tax, and they would simply feel that the Government having got the tax on false pretences, was determined to keep it.

Now, if there is one thing more than another on which our Indian Empire is based, it is on our character for speaking truth. The idea that "the word of the British Government is as good as its bond" is the keystone of the fabric of our power in the east.

Measures which, like the famous conversion of the 4 per cents, cast even a plausible suspicion on the character of the Government for straightforward and open honesty in its financial dealings with its subjects, are, above all others, to be deprecated.

Hence, without in any way pledging the Government as to what may or may not be possible three years hence, I venture to say this—that in my judgment the main object to which the financial policy of the Government should now be directed, is to keep faith with India by getting rid of the Income Tax. That will be the great object of my endeavors as long as I continue responsible for Indian finance, and when I leave, it is the legacy I should wish to leave to my successor.

I will say also that although it is impossible to anticipate what the future may have in store, there is, as matters now stand, every fair and reasonable probability that we may in three years or sooner be able to dispense with the Income Tax. If, for three years, the revenue increases at the average rate of the last ten years, and if the expenditure be kept within its present bounds, the object would be easily attained.

In the meantime, although with a remaining surplus of less than half a million, it is manifestly impossible for us to make any large present reduction of the Income Tax, there are certain measures which the Government propose, in the hope that they will afford a most material alleviation of its pressure.

In the first place, we propose to renew for the next three years the temporary Act of last year, dispensing with all further returns and enquiries, and to take the first year's assessment for the remainder of the tax, unless in cases of fraud or manifest inadequacy, or where the party assessed himself wishes to re-open the question. 5

We add a provision that parties who desire it, may pay up once for all their remaining assessments.

The vexation and oppression incidental to calling for fresh returns, and renewing each year an inquisitorial enquiry, are thus, we hope, completely obviated. 10

There is, however, a still greater and more beneficial change which we propose to make. We find on enquiry that the number of persons who pay the lower rate of 2 per cent. on incomes between 200 and 500 Rupees a year, amounts to nearly two-thirds of the whole who pay the tax, while the money they pay is not above one-fifth of its whole proceeds. 15

In other words, between 500,000 and 600,000 persons are taxed to produce a gross revenue of not more than £350,000.

I do not put the case for the exemption of these persons on the ground that they are poor, for I have no sympathy with the socialist legislation which would place taxation exclusively on the rich. On the contrary, I believe that poor as well as rich, and often even more than rich, are interested in the support of the State and the maintenance of social order, and that the middle and working classes are those who, in the long run, suffer most from the seductions of political demagogues and from the sickly sentimentality of injudicious philanthropists. 25

But in the present instance there are very different grounds on which to justify the exemption of the class in question.

The cost of collecting the Income Tax was last year £160,934, and of this by far the greater part is due to the numerous class of small payers. With the number of payers reduced to one-third, and existing assessments continued, nearly the whole extra establishment may be dispensed with, and I am quite within the mark in saying that we shall save at least £100,000. 30

Now a tax which affects 600,000 persons, to produce £350,000 gross, of which at least £100,000 is absorbed by cost of collection, is condemned by the mere statement of figures. 35

Nor is this all, for I much fear the large cost of collection must be taken as an index to a large amount of annoyance and oppression. The mere numbers show that two-thirds of the objections to the Income Tax will be got rid of by relieving two-thirds of the tax-payers. 40

But the numbers alone do not adequately represent the real relief, for it is beyond all question that men of property and intelligence can defend themselves against mistakes or attempts at extortion by Native officials, far better than the classes who just come within the limit of the 2 per cent. assessment. 45

This alone is a conclusive argument against any attempt to substitute for a total repeal of the 2 per cent. tax, a partial relief to all Income Tax payers by a reduction from 4 to 3 per cent. in the rate of payment.

We could barely afford a reduction of 1 per cent. all round, by maintaining some of the most objectionable import duties; and such a re-

duction would not in the slightest degree diminish the cost of collection, or the annoyance and oppression incidental to it.

I know that the tax presses unduly upon many who pay their full 4 per cent. on an honest account of their incomes, while others escape.

5 But those are classes to whose intelligence and public spirit we may confidently appeal. We have endeavored to deal frankly with them for some time past in all matters of financial policy, and our reward for so doing is, that on an occasion like this, we are able to take them as it were into our confidence, and explain to them without disguise our real
10 position.

I do not believe in "ignorant impatience of taxation" on the part of educated gentlemen, like the great majority of the official and non-official Europeans in India, when they are fairly dealt with. On the contrary, I am convinced that however strongly they may feel the natural
15 desire of everybody to escape his own peculiar burden, they will be satisfied with the assurance that the Government is sincerely desirous not to perpetuate the Income Tax, and with the pledge given for the future by the remissions already made.

The prosperity of India is their prosperity, and I am much mistaken
20 in their intelligence and right feeling, if they are disposed to use the dog-in-the-manger argument, that because we cannot afford to relieve them, 600,000 of our fellow-subjects of the humbler classes shall, for the sake of £250,000 which we do not want, be kept under the bondage of an unpopular tax.

25 At any rate, such is not the decision of one class, who will continue to pay the full Income Tax, *viz.*, His Excellency the Governor-General and the Members of the Supreme Council; and we therefore propose that from August next, *i. e.*, from the termination of the 2nd year of the Income Tax, assessments on incomes under 500 Rupees a year shall cease,
30 collections for the present year being of course completed.

I estimate the cost of this great boon at £250,000, *i. e.*, I shall lose £350,000 of revenue and gain £100,000 in expenditure. This reduces my surplus to £179,814 which is as low as it is prudent to go; nor, indeed, should I have ventured to go so low, but for the fact that we are already
35 investing such a large surplus in Public Works.

The estimate of cash requirements shows that we may expect to arrive at the 30th April 1863 with a Cash Balance of £17,050,673 after setting apart all we shall owe England in the transactions of the year.

I have endeavored to make this latter estimate more intelligible
40 than it has hitherto been. It is the estimate of cash transactions of the year as distinguished from revenue and expenditure.

A man who is a trustee for others, or who is borrowing and paying off capital for improving his estates, will have cash transactions in the course of the year very different from his current income and ex-
45 penditure.

So it is with us; we have receipts and disbursements on various deposit accounts for service funds, suitors' funds and otherwise, which are classed under the general head of "debt." Our receipts in 1862-63 under this head will be £11,053,360; our payments £11,799,150; the
50 excess of £745,790 showing that we shall have diminished our outstanding liabilities to that extent principally by the payment of all remaining instalments of prize-money.

1862-63.]

The other entries in the estimate are adjustments, between India and England, of sums paid here and received there as for Railway construction, or *vice versa*, and a final entry is made of the remittance which, according to the estimate received from Home, is necessary, after these adjustments, to discharge all the remaining liabilities of India to 5 England, on account of Home expenditure for the year 1862-63.

This amounts to £3,727,732, *viz.*, £200,000 for guaranteed Railway interest; and a balance of £1,527,732 in general account.

The result leaves an estimated Cash Balance of £17,050,673 on the 30th April 1863, which will exist in actual rupees and be entirely our 10 own, subject, as far as I am aware, to no extraneous claims or liabilities whatever.

It only remains now briefly to sum up the results which I have endeavored to convey to the Council in this necessarily long statement.

The year 1860-61 closed a long series of deficits with one still estimated at £6,000,000, and which in reality was upwards of £4,000,000. 15

1861-62 sees this deficit extinguished by a reduction of £5,000,000 of expenditure effected within twelve months in a total expenditure of £29,000,000 open to revision.

Further reductions and continued buoyancy of revenue find us in 20 1862-63, notwithstanding the remission of the License Tax, and a large increase of outlay on Opium and Public Works, with a surplus of £1,428,693.

We apply this surplus,—

First.—In further augmenting, by £524,813, the grants for Public 25 Works and Education.

Secondly.—In reducing to the normal rate the exceptional import duties imposed on manufactures.

Thirdly.—In relieving two-thirds of the payers of Income Tax from 30 all further assessments.

We close the year 1861-62 with a Cash Balance of £17,650,000. We have every reason to believe that our estimates are on the safe side, and that we shall close the year 1862-63 with a balance of more than £17,000,000.

This is the simple state of facts laid before you without exaggeration or embellishment. 35

There is no doubt that it contrasts favorably with the Financial Statements which India has been accustomed to receive, and with those which other great Empires of the civilized world have been recently making.

Let us not be too confident in this prosperity, or relax that wise 40 economy which has been the principal means of effecting so beneficial a change.

And, above all, let us not forget that, while thankful to the Almighty Ruler of events for giving us peace and tranquillity and this foretaste of material prosperity, we shall best merit the continuance of 45 these blessings by using them as means for higher ends, for the diffusion of civilization, the moral and intellectual elevation of our people, and all that goes to the mighty task of building up solidly and securely the foundations of a great and enduring Empire.

It is, I trust, a happy augury, that as our late Viceroy was able to 50 close his career in India by relieving 5,000,000 of Her Majesty's Indian

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subjects from the imposition of the License Tax; His Excellency the present Governor-General is enabled to inaugurate his Government by relieving two-thirds of the Income Tax payers, and reducing duties which press on the commerce of India with the mother country.

5 I closed my statement last year with the expression of a confident hope that India might become the brightest jewel of the British Crown.

I close it now with a still more confident expression of the same hope, and with a feeling that the twelve-months have not elapsed without something being done towards its realization.

APPENDICES.

GENERAL ABSTRACT STATEMENT OF

For the Year 1860-61 and as estimated

REVENUE AND RECEIPTS.	1860-61.	1861-62.	1862-63, Estimate.
	£	£	£
Land, Sayer, and Abkarry	21,016,742	21,183,970	21,588,000
Assessed Taxes... ..	1,002,972	1,942,990	1,553,100
Customs	2,965,608	2,851,270	2,475,000
Salt	5,002,664	5,110,540	5,054,700
Opium	6,676,759	6,219,500	6,300,000
Stamps	1,182,781	1,552,530	1,850,000
Post Office	608,524	429,150	480,000
Electric Telegraph	53,639	67,080	70,700
Mint	288,280	252,920	257,100
Law and Justice and Police	416,853	438,440	493,000
Marine	283,705	289,020	200,000
Public Works	796,533	451,550	650,000
Tributes and Contributions	781,164	796,940	685,200
Miscellaneous	504,944	439,520	450,000
Military	1,261,752	850,000	800,000
Interest	60,314	35,670	33,500
	£42,903,234	£42,911,090	£42,971,200
Deficit excluding Railways	2,935,470	surplus	surplus
Deficit including Railways	4,026,225	surplus	surplus

FINANCIAL DEPARTMENT, }
 The 16th April 1862. }

1862-63.]

THE REVENUES AND CHARGES OF INDIA

for the Years 1861-62 and 1862-63.

EXPENDITURE.	1860-61.	1861-62.	1862-63, Estimate.
	£	£	£
Allowances, Refunds, and Drawbacks	174,632	241,036	230,700
Land Revenue, Sayer, and Abkarry	2,209,251	2,183,886	2,266,700
Assessed Taxes	75,098	160,934	60,000
Customs	162,833	238,232	253,800
Salt	740,142	710,480	725,600
Opium... ..	918,467	2,050,000	2,100,000
Stamps... ..	58,390	55,329	83,000
Post Office	526,637	555,000	600,000
Electric Telegraph	153,032	110,276	162,600
Mint	201,280	118,327	170,700
Allowances and Assignments under Treaties and Engagements	1,318,067	2,352,994	1,755,100
Allowances to District and Village Officers	1,273,240	14,829	631,900
Miscellaneous ... ..	.....	56,329	35,300
Contingencies, Special and Temporary ... ..	.....	5,690	8,000
	£ 7,811,069	£ 8,853,342	£ 8,983,400
Army	15,838,980	12,800,000	12,200,000
Indian Navy, Marine	1,048,224	622,888	472,000
Public Works	4,164,654	3,881,610	4,260,000
Salaries and Expenses of Public Departments	1,080,401	1,157,330	1,203,000
Law and Justice... ..	2,033,865	1,991,811	2,100,000
Police... ..	2,210,202	2,187,537	2,051,100
Education, Science and Art	394,826	353,547	500,000
Political Agencies and other Foreign Services	177,930	169,767	187,300
Superannuation and Retired Allowances, and Gra- tuities for charitable and other purposes	582,262	611,114	658,800
Miscellaneous	759,726	230,432	228,600
Civil Contingencies	1,064,996	287,721	118,100
Interest	3,232,104	3,316,180	3,367,100
Expenditure in India	£ 40,408,239	£ 36,463,309	£ 36,329,400
Net Expenditure in England (see State- ment A) for 1862-63... ..	4,339,710	* Gross. * 5,005,760	4,961,986
Total Expenditure excluding Rail- ways	£ 44,747,949	£ 41,469,069	£ 41,291,386
Guaranteed Interest on Railway Capital, less Net Traffic Receipts	1,090,755	1,300,000	1,500,000
Total Expenditure including Rail- ways	£ 45,838,704	£ 42,769,069	£ 42,791,386
Surplus excluding Railways... ..	deficit	1,442,021	1,679,814
Surplus including Railways... ..	deficit	142,021	179,814

E. DRUMMOND,
Offg. Secy. to the Govt. of India.

[1862-63.]

A

Home Charges in 1862-63.

DEBT.			£	£
Dividends to Proprietors of East India Stock	...	...	629,970	
Interest on Loans contracted in England	...	...	1,550,000	
Total Dividends and Interest ... ..	...	...	.....	2,179,970
CIVIL.				
Charges, General Home Establishment, &c.	...	...	162,800	
Amount payable under the Postal arrangement	...	...	70,000	
Red Sea and India Telegraph Company—charge to India	...	...	18,000	
Mission to the Court of Persia—charge to India	...	...	12,000	
Her Majesty's Establishment in China—charge to India	...	...	15,000	
Miscellaneous (including India Office site and building 220,000 and new stores warehouses 39,000)	...	...	339,500	
Pensions and Retired Allowances, viz.:—				
Civil Pension including St. Helena Establishment	...	...	225,000	
Annuities of the Madras Civil Fund of 1818	...	...	4,800	
Furlough and Absentee Allowances	...	...	92,500	
Telegraph through Persia	...	...	230,000	
Total Civil Charge ... ..	...	...	.....	1,169,600
MILITARY.				
<i>Effective Charges.</i>			£	
Imperial Government for Troops serving in India	...	...	779,612	
Passage of Troops	...	...	89,000	
Passage and outfit of Officers... ..	...	...	40,000	
Furlough Allowances	...	...	220,000	
Total Effective Charges	...	...	1,128,612	
<i>Non-Effective Charges.</i>				
Imperial Government for Troops serving in India	...	...	225,050	
Retired Pay, including Colonel's allowances	...	...	805,000	
Pensions, Lord Clive's Fund	...	...	98,000	
Total Non-Effective Charges	...	...	1,128,050	
Total Military Charges ... ..	...	...	.....	2,256,662
MARINE.				
Pensions and Retired Allowances, Indian Navy, and Bengal Pilot Service	...	...	27,100	
Maritime compensation	...	...	18,900	
Furlough Absentee Allowances... ..	...	...	12,000	
Total Marine Charges ... ..	...	...	.....	58,000
Total Charges in England ... ..	...	...	.....	5,664,232
<i>Deduct Receipts.</i>				
From Her Majesty's Treasury on account of charges of late China Expedition	...	...	450,000	
From the War Office and other Public Departments in re-payment of Advances in India on account of the Imperial Government	...	...	79,446	
Miscellaneous Receipts	...	...	142,800	
Interest from investment of Cash Balance, &c.	...	...	30,000	
Total Receipts ... ..	...	...	.....	702,246
Net Expenditure in England ... ..	...	...	.....	4,961,986

MEMORANDUM showing the Estimated Cash Balances in the Indian Treasuries on 30th April 1863.

RECEIPTS IN INDIA IN 1862-63.		DISBURSEMENTS IN INDIA IN 1862-63.	
	£		£
Revenues	42,971,200	Expenditure in India	36,329,400
Debt (Receipts on account of)	11,053,360	Deduct, Stores from England included in above	717,895
Recoveries in India of payments in England :—		Debt (Payments on account of)	...
Funds, Family Remittances, &c.	1,363,500	Payments in India on account of England :—	
Less, Deductions from pay of Officers in England	49,000	Railways	5,100,000
		Other Payments	400,000
Net Railway Earnings	1,314,500	Remittances to England on account of payments for India...	1,527,732
	700,000	Guaranteed Railway Interest	2,200,000
Estimated Cash Balance on the 30th April 1862	17,650,000	Estimated Cash Balance on the 30th April 1863	...
	73,689,060		3,727,732
			17,050,673
			73,689,060

FINANCIAL DEPARTMENT,

E. DRUMMOND,

The 16th April 1862.

Offg. Secy. to the Govt. of India.

FINANCIAL STATEMENT

BY

THE HONORABLE SIR C. É. TREVELYAN, K. C. B.

APRIL 30th 1863.

Mr. Laing estimated that there would be a surplus in the year 1861-62 of £239,896. The Secretary of State was of opinion that two sums had been improperly omitted from the charge side of the Account, by the insertion of which the surplus was converted into a deficit of £595,513. The actual result is that there was a deficit of £150,628 5 only, which we may hope is the last of the long series of Indian deficits.

The financial year 1862-63 opens a new era. Mr. Laing estimated that there would be a surplus at the end of the year of £179,814. The Secretary of State again objected that certain omissions and deductions had been made by the correction of which the estimated surplus 10 of £179,814 was converted into a deficit of £284,086. The result is that, after providing for the whole of the expenditure, there is a clear surplus on the current year 1862-63, which terminates this day, of £697,168, according to the Regular Estimate,* which has since been increased, by reductions in the Home charges and guaranteed interest, to 15 £936,925.

I will now explain how the Revenue of 1862-63 has turned out, as shown in the Regular Estimate, compared with the Budget Estimate of that year and with the actual Receipts of 1861-62.

“Land, Sayer, and Abkaree” show an improvement of £304,000 20 over the Budget Estimate, and a decline of £39,555 compared with the actual Receipts of 1861-62. This last, however, is not a fair comparison, for in 1861-62 there was a double Receipt, arising from the adoption for the first time of the salutary financial rule of carrying to account all the Receipts of the year as Revenue of the year instead of holding payments 25 in advance in deposit until the next year; and there was also a much larger sum obtained from the sale of Khas Mehals in 1861-62 than in 1862-63. When these allowances are made, the year 1862-63 shows an increase of £646,423 under Land, Sayer, and Abkaree compared with 1861-62.

* The “Regular Estimate” is closed in March, and it generally contains eight months’ 30 actual, and four months’ estimated expenditure. Opium, owing to the sales taking place at Calcutta, is brought up nearer to date.

[1863-64.]

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"Income Tax" has exceeded the Budget Estimate by £206,700, which is due partly to the fact that there has been a large collection of arrears of the 2 per cent. rate which was repealed from the 1st of August last, and partly to a better management of the assessment.

5 "Customs" show a falling off of £87,500 compared with the Budget Estimate, and of £488,639 compared with the actual Receipts of the preceding year. This is caused by the paralysed state of the trade with England in Cotton Piece Goods and Yarns, which yields half our Customs Duties exclusive of Salt. Out of a total amount of Duty of £2,151,505
10 received in 1860-61 (excluding Salt), £1,103,401 was for Piece Goods and Yarns.

"Salt," on the other hand, shows an increase of £282,800 over the Budget Estimate, and of £774,419 over the actual Receipts of 1861-62. As this is an article of general consumption, and the price of the com-
15 moner kinds is not liable to much variation, the effective demand for it is a good test of the circumstances of the community.

The "Receipts from Opium" have surpassed the Estimate by £1,550,000. Even this is not all, for the last Opium sale of the year has since taken place, and the total Receipts from all sources are expected to
20 exceed £8,000,000, which will raise the surplus over the Estimate to upwards of £1,700,000. The causes of this remarkable result are, that the price of Bengal Opium was estimated at Rs. 1,200 a chest, while the average price per chest actually realised has been Rs. 1,429, and that Passes were taken out for a larger number of chests of Malwa Opium than had
25 been expected. The Receipts from Opium in 1861-62 were £6,359,269.

"Stamps" are £317,100 below the Estimate, and £160,317 below the sum realized in 1861-62. The amount received from Stamps in 1861-62 was abnormally large. It arose from the Limitation Act, which came into operation in January 1862. There was a great rush to get
30 cases instituted previously to that date, and many debtors who were unable at the time to pay, gave fresh bonds on stamped paper admitting the justice of their creditors' claims. The indigo and rent disputes in 1861-62 also contributed not a little to the Stamp Revenue. In the Punjab and Oudh, fees called "Tulubana" for serving processes in the
35 Civil Courts, were charged at so much per cent. on the amount of the suit. These were subsequently paid in Stamps, but early in 1862 the plan of paying in cash was resumed, and the surplus is carried to a Local Fund for the improvement of the Judicial Establishments of the Province.

The other branches of Revenue call for no remark.

40 The total gross Revenue of 1862-63 is £45,105,700, which is £2,134,500 more than the Budget Estimate, and £1,276,228 more than the actual Receipts of 1861-62. It is a favourable indication of the progress of India that the Revenue is habitually under-estimated. The growth is so rapid as to outstrip every calculation which it is considered
45 safe to make.

Excluding Opium, the remaining branches of Revenue yielded £584,500 more than the Budget Estimate, and £214,503 less than in 1861-62. This was chiefly owing to the falling off that has been noticed in Customs and Stamps.

50 The first point deserving of notice in the expenditure of 1862-63 is that the charges connected with the Salt Revenue have been less by 1863-64.]

£169,100 than the Estimate, and by £90,431 than the expense actually incurred in the preceding year. These are the first-fruits of the contraction of the Government salt manufacture in Bengal. There was a saving of £175,000 in consequence of the abolition of one Government Agency and of the consolidation of two other Agencies into one. 5

The increase under "Electric Telegraph" from £162,600 to £380,000 is only nominal. It arises from the value of stores expected from England having been included only in the later account, and from the transfer from Public Works of the construction charges.

"The Army" shows an increase of £266,000 arising from too sanguine a view having been taken of the rapidity with which certain Military reductions would be made. 10

Of the £500,000 for "Education, Science, and Art," £100,000 remains unexpended. The sum of £146,453 was added to the Regular Estimate of the preceding year to make the grant up to £500,000; but as the Local Administrations were not prepared for so large an immediate extension of their operations, the money has not been spent. 15

The increase of £43,700 under "Superannuations" is one of the consequences of reduction of Establishments; and the increase of £42,900 under "Interest" arises from the interest on the loan from the Maharaja of Cashmere, and on the sum funded for the Mysore Princes having been included under this head. 20

The total expenditure in India in 1862-63 is £37,228,900 against an estimated sum of £36,329,400, but to this last must be added £366,300 for loss by exchange, which was not provided for, and the 25 real comparison therefore stands as follows:—

Budget Estimate	...	...	...	£36,329,400	
Add loss by Exchange	...	...	...	£366,300	
Regular Estimate	...	...	...	£36,695,700	30
Excess of Expenditure over the Budget Estimate				£37,228,900	

The total expenditure in India in 1861-62 was £37,245,756, and there is therefore a decrease of expenditure in 1862-63, compared with the preceding year, of £16,856. These results are satisfactory, inasmuch as they show improved accuracy in estimating the expenditure and the absence of any increase in it. 35

The net expenditure in England is £5,292,397, which is less than Mr. Laing's Estimate corrected by the additions which Sir C. Wood directed to be made to it (making a total sum of £5,491,432) by £199,035. This arises from reduced expenditure at Home. 40

The sum paid at Home for Guaranteed Interest on Railway Capital, less net Traffic Receipts, is £1,647,478, against a Budget Estimate of £1,500,000. 45

The gross expenditure in India added to the net expenditure in England, including Railways, amounts to £44,168,775; and deducting this from £45,105,700, the gross Revenue of India, there remains a net surplus of £936,925 of Income over Expenditure for the year 1862-63. This result is more favourable than that shown in the Regular Estimate, 50

[1863-64.

because, as has been already stated, information was subsequently received of reductions having been made in the Home Charges and Guaranteed interest.

I now proceed to my Estimate of the expenditure of the coming year, 5 1863-64.

Under "Allowances, Refunds, and Drawbacks" the sum taken is less than the expenditure of the two last years, chiefly because those years included a considerable sum for License Tax repaid.

"Land Revenue (including Forest) and Abkaree" shows an increased 10 charge of £124,500, caused by the additional Establishments employed to revise the assessments preparatory to the concession of a permanent settlement of the Land Revenue.

The cost of collecting the Income Tax has diminished from £121,043 in 1861-62 to £76,400 in 1862-63, and it is estimated at only £51,400 15 in 1863-64. This is, perhaps, as low as it can be reduced. It amounts to a charge of a little more than 3 per cent. upon the estimated produce of the Tax.

The charges connected with the Salt Revenue show a remarkable downward progress. In 1861-62 they were £646,931; in 1862-63 they 20 were reduced to £556,500; and in 1863-64 they are estimated at only £293,100, being a diminished annual expenditure of £353,831 in two years. In 1861-62 the Salt Revenue was collected at the rate of 14·201 per cent., including the cost of manufacture. In 1863-64 it is estimated that it will be collected at the rate of 5·425. The steps by which this 25 great economy has been arrived at will be hereafter explained. It is enough to say at present that it is owing to the cessation of the Government manufacture of Salt in Bengal, with the help of a diminished charge of £25,000 at Madras.

The increase under "Electric Telegraph" arises from the causes which 30 have been already noticed in reference to the expenditure of 1862-63, *viz.*, to the value of stores from England and the cost of construction being included in the Estimate. Provision has also been made for the formation of several new lines of Electric Telegraph.

It will be observed with regret that the charge for the "Army" has 35 again risen from £12,466,000, at which, according to the Regular Estimate, it stood for 1862-63, to £12,646,900 for 1863-64. This addition of £180,900 is the result of a balance of increases and decreases. The chief causes of increase have been—1st, the Bengal Native Infantry was much below its establishment last year, but it has now been brought up 40 to full strength. This accounts for £80,000. 2nd, the Reserve Stock of Ordnance Stores having been largely drawn upon during the last two years without replenishment, the demands are £150,000 in excess of last year. 3rd, the practice of charging every disbursement to the year in which it occurs having been extended to the Military accounts, there will be 45 a difference of about £80,000 to be provided for between the arrears at the beginning and end of the year. And, 4th, six European Regiments have to be relieved this year against one last year, involving a further increase of £70,000 or £80,000, after allowing for volunteering.

On the other hand, several measures of reduction have been adopted. 50 There is one Regiment of European Infantry and one Local Corps (the Pegu Battalion) less. Eleven troops of European Cavalry are in course 1863-64.]

of gradual absorption; and the Establishment of 24 Regiments of Native Cavalry has been diminished by 36 men each. As the strength of the Native Cavalry Regiments was below their establishment, the effect of this last arrangement has been rather to save future increased expense than to make any immediate reduction.

Although the Establishment of the Army, as now fixed, is not to be revised until the changes which will be made by the Railways and other means of improvement in progress shall have been more fully developed, much may be done to reduce the annual expenditure by a careful manipulation of administrative details without impairing either the interests of the Officers or the efficiency of the service. On the contrary, both are often promoted by well devised economical arrangements. The necessity for action of this kind in reference to the Indian Army is very urgent. In so vast an Establishment, many and often well-founded applications for increased expenditure are made from various quarters; and if these are not met by a pervading spirit of economy, ready to avail itself of every opportunity of effecting an unobjectionable saving, the expenditure must go on creeping upwards till public attention is called to the subject. This single item of my Estimate equals the average cost of the British Army, and to this has to be added £2,213,000 more of Indian Military expenditure, included among the Home charges. The great interests of our nation in India require that the Estimate for the Indian Army should at least undergo the sifting to which the War Office Estimate is subjected before it is laid before Parliament.

The "Indian Navy" has disappeared from the accounts, having been dissolved under instructions from the Secretary of State, and the protection of the Indian and adjoining seas has been entirely committed to Her Majesty's Naval Force; but "Marine Charges" continue to occupy the next place to the "Army," because they are chiefly incurred in paying for the conveyance of Troops and Stores. The Estimate for 1863-64 is less by £193,000 than the Regular Estimate of 1862-63, and by £379,193 than the actual expenditure for 1861-62. This is caused by the employment of hired and contract vessels in the place of vessels belonging to the Government, and by the arrangements in progress for transferring the Government Dockyards to private Companies.

The provision proposed for the Public Works expected to be carried on in 1863-64 is as follows.

It was ascertained by a careful analysis of the grant for the preceding year, 1862-63, that, of the aggregate amount of £4,260,000, the sum which had been appropriated to works of Public Improvement was £2,380,000. It is proposed to make a similar appropriation for 1863-64, and to add to it a Reserve Fund of 10 per cent., or £238,000, to be held in hand by the Supreme Government to be applied to meet any special cases of Cotton Roads or other Works which cannot be provided for out of the proportion of the sum of £2,380,000 allotted to the Local Governments and Administrations.

In order that the Local Governments may work on confidently from year to year, following out consistent plans, maintaining Establishments in proper proportion to the work to be done, and preserving satisfactory relations with Contractors, it is necessary that the appropriations should not only be large, *but steady*, or, in other words, that they should vary

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as little as possible from year to year. At the same time it is desirable that means should exist of supplementing local deficiencies and of accelerating any works the early completion of which is of special public importance. Both these ends will be attained by the arrangement proposed.

“ The appropriation for Civil Buildings and ordinary Repairs and other Military Works will be the same as last year, that is, £570,000 for the former, and £650,000 for the latter.

The sum assigned this year for building new Barracks was £50,000; but a necessity exists for constructing permanent Barracks for our European Troops at central strategic stations which are certain to be permanently held, and it is proposed to appropriate £300,000 to this object during the ensuing year. This also will be held in hand by the Central Government to be allotted as circumstances may require, according to arrangements which have been carefully considered.

The charge for “ Railway Supervision and Cost of Land ” in 1862-63 was £132,500, and in 1863-64 it is estimated at £182,500; and the loss by Railway Exchange in the two years is respectively £366,300 and £294,600.

Lastly, another sum of £380,000 from the proceeds of the Income Tax will be divided among the different Governments and Administrations for the purpose of carrying on Local Works.

The aggregate amount of all these grants for Public Works for 1863-64 is £4,995,100, which is an increase upon the corresponding grants of this year of £466,300. Judging from past experience, it is very unlikely that the whole of this sum will be spent within the year, and, excepting only the appropriated 1 per cent. from the Income Tax, savings from any part of this large grant will be available to supplement any other part.* In the extremely improbable event of the whole being spent and more being wanted, we have a surplus in reserve derived from an outside estimate of Expenditure and an inside estimate of Revenue, which may be drawn upon to any extent required. This Government desires that it may be clearly understood that any funds that can be expended with advantage on Cotton Roads, on works of Irrigation or Navigation, or on any other useful works will be granted during the ensuing year. There will be no difficulty as far as money is concerned. The only limit will be the impossibility, in particular cases, of getting value for the outlay.

Besides the preceding grants, an old Local Fund Balance amounting to £58,700, which had long been due to the Government of Bengal, has been appropriated to the construction of Railway Feeders, the plans and estimates of which had been previously prepared. Post Office and Telegraph constructions, which were included in the grant for Public Works in 1862-63, have been provided for in the Departmental Estimates in 1863-64 to the amount of £183,400. The total sum appropriated for Public Works in 1863-64 therefore amounts to £5,237,200; and, including Guaranteed Railways, to £9,237,200.

* See the Tabular Statement of the Grants for Public Works in 1862-63 and 1863-64 in the Appendix.

“Salaries and Expenses of Public Departments” show a diminution of £22,600, and “Law and Justice” an increase of £154,700. This arises from the pains that have been taken to keep the ordinary Civil Establishments within proper limits, and the disposition which exists to make every necessary addition to the Judicial Establishments. The consolidation of the Supreme and Sudder Courts into united High Courts has caused a considerable additional expense. 5

The total estimated charge for “Police” is £2,280,000, being an increase over this year of £180,000. This arises from the extension of the new Police to Bengal Proper, which was the last Province remaining to be brought under the new system. The transition-period is always an expensive one, and this was especially the case in Bengal, where twelve Police Battalions and the old Thannadaree Police had to be put down, while the Constabulary Police, which was to supersede them both, was being set up. 15

As the large reduction of the Native Army has been rendered possible by the extent to which the Civil duties previously performed by it have been transferred to the new Police, the two must be viewed in relation to each other. I agree with those who are of opinion that, with proper economy, £12,000,000 may be taken as the standard of the expense to be incurred in India for the Military Force of all arms, even supposing it to be maintained at its present Establishment, and that £2,000,000 is a sufficient allowance for the Police. In order to keep the expenditure within due limits, it is indispensably necessary that there should be only one Military and one Civil Force. The permission to employ “Guards,” or any other protective Force, not included in the Army or in the organized Police, would at once give scope to the former practice of making discretionary miscellaneous charges. Efficiency, as usual, goes hand in hand with economy. It can be secured only by concentrating attention on the Military and Police Forces, dealing with each according to its special conditionis. 25 30

The new Indian Police is now in a state to be effectually acted upon by a searching revision. At the commencement of such an organization, the Officers employed do not know what their real requirements are; and if the Establishments first set up are permitted to go on long without scrutiny, the difficulty of bringing them back to a just standard is much increased. Colonel Bruce, who has already acquired much valuable experience, will be employed during the ensuing year as Commissioner for investigating and reporting upon the Police Forces of Northern India in concert with the Inspector General of each Force and such other Officers as may be appointed for the purpose by the Local Governments. 35 40

Although the assignment for “Education, Science, and Art” is £38,400 less than the Budget Estimate for this year, it is £61,600 more than the sum likely to be expended according to the Regular Estimate. Even so, it bears no proportion to the magnitude of the object. But National Education is not merely an affair of money-grants. To deserve the name, it must be supported by the contributions and co-operation of the communities concerned. What is chiefly to be desired, therefore, is a natural growth and interior expansion according to the circumstances of each Province. The object is, not uniformity, but progress and efficiency; and there may be virtue even in variety, because more is likely to be 45 50

accomplished, on the whole, when each Government is left to follow the bent of its own wants and inclinations, and because there is a positive advantage in the experiment being tried in different ways. The different Local Governments by which the administration of India is carried on have a great deal to learn from each other. An elaborate system for the education of the Upper and Middle Classes has been successfully worked out in Bengal, while in the North-West Provinces and Madras much progress has been made in laying the foundation of a really popular system. Large Local Funds are already expended on education, and the school fees and other incidental receipts arising out of the application of the grant are similarly appropriated. The duty of the Central Government is to be ready to sustain and encourage every well-directed effort to promote the education of the body of the people in every part of India, and liberal grants will, I trust, never be wanting to supplement in due proportion the funds locally raised. If, in the course of next year, any well-considered plans are brought forward which cannot be provided for from the grant of the year, a further appropriation will be made out of the savings of other grants, if there should be any, and, if not, out of the general surplus of income over expenditure.

There is an increase under "Political Agencies and other Foreign Services" of £25,200 over this year, which is chiefly occasioned by the presents to be given during the Governor General's tour.

Under "Superannuation and Retired Allowances" an additional sum of £7,500 has been taken to provide for the increased demands for compensation likely to arise from the extensive reductions in progress.

It will be seen with satisfaction that the charge for Interest on the Debt, after increasing for several years, has received its first check, and will be less next year than this by £77,000, while there is an increase of £50,000 in the receipts on account of interest.

This Government has the advantage of having three *real* Sinking Funds.

The first of these is the proceeds of the sale of waste lands and of the redemption of fixed rent-charges, both of which, according to the instructions of the Secretary of State, are to be applied to the payment of debt. As the same principle is applicable to all sums derived from the sale of real property yielding, or capable of yielding, revenue, the Local Financial Officers have been directed to make returns of the sums available for investment on this comprehensive footing. No investments have yet been made from this Fund.

The second is the sum authorized to be invested in Government Securities from the Coin and Bullion received for Notes within the limit of the smallest amount which experience has proved to be necessary for the monetary transactions of the country. That limit has been fixed for the present, by Act XIX of 1861, at four Millions Sterling, but the sum which it has been considered proper to invest up to the present time is only one million.

The third is the surplus of the Cash Balances beyond the amount required to carry on the expenditure. I shall return to this point when I have to speak of the Estimate of Cash Balances for the ensuing year. One Million Sterling has been lately applied from the surplus of the Cash Balances in the extinction of Debt held in this country, and three mil-

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lions have been remitted to the Secretary of State, over and above what was wanted to meet the Home expenditure, to enable him to operate upon some portion of the Indian Debt held in England.

Neither of these three Sinking Funds is directly derived from the produce of taxation. To impose, or continue taxes to pay off debt, is a measure of doubtful policy; but when, from any cause, capital accumulates beyond what is required for current purposes, instead of spending it as income, it ought to be employed in extinguishing debt in order that there may be no diminution of the capital stock of the community.

As investments made from the Waste Lands Fund and the surplus Cash Balances result in a final extinction of Debt, the Interest saved will appear in the Estimates and Accounts in the form of a diminished charge. The investments from the Currency Deposits, on the other hand, are held in trust to meet a possible, but extremely improbable, demand for the payment of Government Notes; and the sum annually received for interest from this source will, therefore, be credited as Revenue, leaving the principal available for re-sale if necessary.

The total estimated expenditure in India for 1863-64 is £37,525,300, which is £296,400 more than the Regular Estimate for 1862-63, and £279,544 more than the Actual Expenditure for 1861-62. The Estimate for 1863-64 exceeds the Estimate for 1862-63 by a larger amount, but the true comparison is, not with the expectation which the Budget Estimate of 1862-63 held out, but with the near approximation to actual fact afforded by the Regular Estimate of the same year. The increased expenditure in 1863-64 is caused by additional appropriations for Public Works, the greater part of which are of the nature of a highly reproductive investment. In other respects the expenditure has been kept below its previous level.

I shall now review the estimated Revenue of 1863-64.

"Land Revenue" is taken at £19,384,500, or £45,500 less than the sum expected to be realised in the current year. It falls short by a much larger sum of the amount credited in 1861-62; but it has been already explained that there were incidental receipts in that year, the greater part of which cannot recur. The Estimates for the Land Revenue are made by the different Local Governments long before the end of the preceding year, with a liberal allowance for a possible failure of the harvest; and the consequence is that, as the harvest never fails in the same season all over India, the Estimates are almost always under the mark. For this reason alone I am persuaded that the estimate for 1863-64 is a very moderate one. There are, however, still more potent causes. The high prices of agricultural produce strongly stimulate the extension of cultivation, which is attended in the Madras and Bombay Presidencies and some other quarters with a direct proportionate increase of the Land Revenue. But, everywhere, except where the Land Revenue has been already permanently settled, the hope of obtaining that great boon furnishes a powerful additional motive. In order to prevent any undue sacrifice, it has been determined that the claim of the Government against an estate is not to be fixed until it has been cultivated up to a fair average, leaving only the usual proportion of Waste Land for pasture.

I have long been of opinion that a well-considered arrangement for fixing the land tax would, besides indirectly augmenting other sources of revenue, increase the productiveness of the land tax itself.

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The Government can, under no circumstances, demand more than a moderate assessment. When, therefore, the cultivation has nearly reached its maximum, our obvious policy is to fix the assessment and to trust for the further improvement of the revenue to the outlay of capital and the
 5 accretion of wealth, which are the natural results of permanency of tenure, besides diminished expenses of collection and certainty of receipts. Thus the country becomes divided between Estates the assessment of which has been fixed, and Estates which the owners are endeavoring to cultivate up to the point which will qualify for its being fixed, and it is difficult to
 10 say which condition is most conducive to the increase of the Revenue.

The interests of the Revenue are also deeply concerned in the sales of Waste Land being made in the manner most convenient to intending settlers. Every difficulty will be obviated if the practical course which experience has dictated at Ceylon be adopted, *i. e.*, that, instead of leaving
 15 intending settlers to go through a series of embarrassing and expensive formalities, pains are taken to survey and mark out beforehand the most suitable allotments with a view to their being put up to auction at fixed periods after full information has been given to all concerned. A suggestion has been already made to this effect, and matured instructions
 20 will shortly be issued.

"I have commented on "Land Revenue" as it stood previously to a slight change which has been made in the form of the accounts. The next head was "Sayer," an obsolete Arabic word, which has the same meaning as "Miscellaneous." It has latterly been composed of a variety of items
 25 connected with the Land Revenue, of which the Revenue derived from the Forests has been the most important. The progress of improvement has given a value to the Forests which they never had before, and it has been determined to give increased attention to their conservation and management, and to constitute the Revenue derived from them a separate
 30 Head in the Public Accounts. The other Miscellaneous Items of Land Revenue which appeared under "Sayer," have therefore been added to Land Revenue, and what remains has been denominated "Forest Revenue."

The "Abkaree," or Excise upon spirits and intoxicating drugs, is estimated at something less than the expected Receipts of this year. The
 35 plan of letting the privilege of selling spirits and intoxicating drugs at such prices as local monopolists think most for their advantage, is giving place in several parts of India to that of "Sudder Distilleries," or a fixed excise upon the manufacture. Whatever may be the relative merits of these two plans in their bearing upon public morality, the "Sudder Dis-
 40 tilleries" have not, so far as the experiment has been tried, been favourable to the Revenue. The subject will be fully investigated.

The "Assessed Taxes" call for no remark. As the Income Tax year is from August to August, one quarter of the 2 per cent. duty on incomes below £50 a year was included in 1862-63, whereas the collection of
 45 1863-64 will be entirely confined to incomes about £50.

It has been already stated that the continued depression of our "Customs" Revenue is caused by the long stagnation of the Piece Goods Trade. The prevailing opinion is, that a revival is not at present to be expected, and in deference to it, I have taken "Customs" at about the
 50 sum realised in the present year. I myself take a more sanguine view, the reasons for which will be hereafter adverted to.

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"Salt" is estimated at £64,900 above the receipts of this year, which is a moderate allowance for the growth of the consumption from the improvement of the circumstances of the people and of the means of communication with the interior, and for the increased quantity likely to be sold in Bengal in consequence of the cessation of the Government manufacture and the disposal of the remaining stock. 5

On all main points I concur with the view taken by Mr. Laing in his remarks upon the "Opium" Revenue in his last Financial Statement. We have gone on calling the Opium Revenue "precarious" long after the contrary has been demonstrated by actual experience. It is *anomalous*, 10 but it is not *precarious*. It rests upon precisely the same basis as the excise upon Spirits in England, with this difference, that the Spirits are consumed by Her Majesty's subjects, while the Opium is consumed by the Subjects of the Emperor of China; but the Chinese will no more go without Opium than it is to be feared certain classes of our fellow- 15 subjects will forego the use of spirits. The idea of the Chinese becoming independent of us by growing their own Opium is a mere chimæra. The cultivation has been permitted in China for several years with the result that the demand upon India for Opium has been continually increasing. India has been bountifully dealt with in the great division of 20 labour established by nature. She has an advantage over all the world in producing Indigo, Saltpetre, Opium, and some other things. The Chinese, on their part, are more likely to increase their cultivation of Tea and Silk than of Opium. Even if the quantity grown in China was largely increased, Bengal Opium is so much better than the Native 25 product that it would still be sold as an article of luxury, like Manilla or Havannah Cigars.

No doubt, the cultivation of Opium in China would increase if the market were not supplied with a sufficient quantity of Indian Opium. In Bengal we make a quantity in each year as nearly approaching 50,000 30 chests as we can. In other parts of India, Opium can be freely manufactured and exported subject to a Pass Duty, and the annual quantity is gradually rising to another 50,000 chests. The wants of the China market, therefore, appear to be sufficiently supplied.

The moral justification of the Opium Revenue also follows the 35 parallel of the Home Excise upon Spirits. Is it best to check the consumption of Opium by placing the highest possible tax upon it, or, by leaving the cultivation and export entirely free, to give to the Chinese the means of unlimited indulgence in their favourite drug? There is only one other alternative, which is, without taking any 40 revenue from Opium, to maintain an army of Preventive Officers in the interior and round the coasts of India, to secure the entire cessation of the cultivation. Indeed, we could not stop there, for there are other intoxicating drugs in common use in India and China which are more injurious than Opium, and, if Opium were prohibited, the increase 45 of these truly brutalising stimulants would call for their suppression also.

In 1861-62 Mr. Laing estimated Bengal Opium at Rs. 1,748 a chest. The average price of the year was Rs. 1,614 a chest, and at the end of the year there was a surplus on Bengal and Malwa Opium over 50 the estimate of £251,708.

In 1862-63, Mr. Laing estimated Bengal Opium at Rs. 1,200 a chest. The average price of the year was Rs. 1,429 a chest, and there is likely to be a surplus of upwards of £1,700,000.

Bengal Opium has been estimated by me at Rs. 1,250 a chest, which would give a total sum of £8,290,000 upon the expected crop on both sides of India. The sum for which I have actually taken credit in my Budget Estimate is £8,000,000, which is less than Opium will yield this year.

The causes of the recent low state of the "Stamp" Revenue have been already explained. I expect that it will revive next year, but I have taken the estimate on the supposition of its continued depression.

"Post Office" shows no increase. This Revenue is derived from voluntary payments made in return for advantages expected to be received, and it therefore depends upon the manner in which the Department is regarded by the Public.

An increased receipt is expected from the "Electric Telegraph" in consequence of the new lines which are about to be opened.

The increased Receipts under "Law and Justice" and "Police" arise from the circumstance that large Municipal contributions towards the expense of the Police, which were previously carried to Local Funds, have now been credited as Revenue.

Of the £350,000 which are the estimated Receipts from "Marine," about £150,000 are from Pilot-dues and other ordinary sources of Income. The remaining £200,000 will be from the sale of ships and marine stores; but, owing to the abolition of the Indian Navy and to the substitution of Freight and Contract for Government Vessels, and the transfer of the Government Dock-yards to private Companies, the receipts from this source are certain greatly to exceed the amount named.

The diminution in "Miscellaneous Military Receipts" is owing to several causes. Retrenchments not finally upheld, and consequently not actually receipts, have been to some extent included heretofore. During this last year there has been a considerable realisation on account of Remounts sold to Officers, which was an exceptional measure and will not recur. The actuals of 1861-62 also include a large amount of arrear Receipts, chiefly Recoveries, the result of more effective Audit.

The total amount of Revenue estimated by me for 1863-64 is £45,306,200, which is only £200,500 more than, according to the Regular Estimate, will be actually realized in 1862-63. Indeed, when the increased Receipts from Opium, of which information has since been received, are taken into account, my estimate of the Revenue of next year is less than the actual Receipts of this year. In the absence of any extraordinary unexpected check before the end of April 1864, there must be a progressive increase of the Public Revenue, taken as a whole, which will carry the receipts beyond the figure at which I have taken them.

How much reason there is to expect a sustained progress will be seen from the following statement of the annual Revenue since the mutiny :—

	1858-59	...	...	...	...	£36,060,788
	1859-60	...	...	...	...	£39,705,822
	1860-61	...	...	...	...	£42,903,234
50	1861-62	...	...	...	...	£43,829,472
	Regular Estimate for 1862-63	...	...	...	...	£45,105,700
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From these it will be seen—

1st.—That the increase in 1862-63 over 1858-59 is £9,044,912.

2nd.—That the average revenue of the three last years exceeds that of the three first years by £4,389,520.

3rd.—That the aggregate increase in four years upon the income of 5 1858-59 is £27,301,076; and

4th.—That there has been an average annual increase in each succeeding year of £2,730,107.

The net expenditure in England is estimated by the Secretary of State at £5,347,300,* which is more than the expenditure of 1862-63 by 10 £54,903. This is caused by increased payments for the Persian Gulf Telegraph, and for the site and construction of the India Office. As the object of the first is to establish direct Telegraphic communication with England, it stands in no need of explanation; but as regards the second, I may mention that the plot of ground in London where the Foreign 15 Office and other buildings stood has been allotted for Public Offices, and that the Foreign Office and India Office divide the Park frontage, and pay for the ground and building, which is all one design externally, according to the space they take. Therefore, India only pays exactly as England does, both for ground and building. 20

It is estimated that the Home Military Charges will be £143,000 less in 1863-64 than in 1862-63, including a diminished payment of £50,000 to the Imperial Government for Her Majesty's Troops serving in India. Having during many years assisted in the settlement of the Home charges of Her Majesty's Troops serving in India, I have had 25 painful experience of the public inconvenience arising from the attempt to adjust such periodical accounts upon a consideration of the infinite variety of fluctuating and perplexing details into which they ramify, and am able to say that a great improvement has been made by substituting the principle of an average rate per man. The rate adopted up to the 30 close of this financial year was a provisional one, founded upon the average of a period when the recruiting arrangements were conducted on a very economical footing, and the matter is to undergo further investigation.

The guaranteed interest on Railway Capital, less net Traffic Receipts, 35 is estimated by the Secretary of State at £1,617,825, which is £117,825 more than the Budget Estimate of 1862-63, and £192,745 more than the actual charge for 1861-62.

The total expenditure which has to be provided for in 1863-64 is therefore	£44,490,425
And as the total estimated Revenue is	„45,306,200 40

The estimated surplus is		£ 815,775
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The Secretary of State, being strongly impressed with the public importance, in the present state of India, of expediting the construction of reproductive Public Works, and especially of Roads subsidiary to the new Railways, or opening direct communications with the Coast, autho- 45 rised, by a Despatch dated 30th August last, the appropriation for this purpose of any sum that might be required out of the Cash Balances not

exceeding £3,000,000 Sterling. The resources of Indian Finance have proved greater than they were at that time expected to be, and we have been able to make, out of the Revenue of the year, ample provision for all the Public Works of every kind that can be carried on within the year, 5 leaving a clear surplus, after doing this, of upwards of £800,000. It is a matter of congratulation that the Secretary of State's object has been accomplished without the necessity of departing from the good old rule of English Finance, that the whole of the expenditure of the year should be provided for out of Ways and Means raised within the year, 10 leaving a surplus of Income besides to meet contingencies. To use Lord Elgin's words, the exhibition of a surplus "tangible, palpable, and incontrovertible," at the present turning point of Indian Finance, is a matter of much public moment, and if we had drawn upon our Cash Balances for any portion of our current expenditure, some doubt might 15 still have remained on this point. The Secretary of State has since directed six millions sterling to be remitted to England from the Cash Balances for the payment of debt. The matter has thus been replaced on its right footing. Our available capital is to be employed in extinguishing permanent charges upon revenue, and every demand of the year is to be met, 20 as heretofore, from the surplus of income over expenditure.

Before I enter upon the disposal of the surplus, I must express my grateful sense of the cordial assistance I have received from all the Public Departments and from the Chief Officers in every part of India; but there is one obligation which I wish especially to record. The Honorable Mr. 25 Drummond, the late Financial Secretary, not only gave me the invaluable aid of his excellent judgment and mature knowledge of Indian Finance during his tenure of office, but after his appointment as Lieutenant-Governor of the North-West Provinces, he remained at Calcutta, with the Governor General's consent, solely for the purpose of assisting me in a 30 task which I should have found heavy indeed without his help.

One article now charged with an import duty of ten per cent., is a material of industry so essential to the development of the great works upon which the future of India depends, that it is proposed to charge only a Registration Fee of one per cent. upon it. I, of course, refer to Iron. 35 The loss of revenue will not be great; for after separating Iron-mongery and Cutlery, which are used for domestic purposes and will still be chargeable with the ten per cent. duty, much the largest portion of the remainder is imported for the construction of Railways, and is either added, together with the Duty upon it, to the Capital of Guaranteed Companies, 40 the interest of which is made good out of the public Revenue, or is entirely exempted from Duty under a privilege lately conceded to Companies more directly based upon the principle of private enterprise. Out of a total value of £1,087,464 of Iron imported at Calcutta in 1862, £542,608 was for Rails alone; Machinery, into which iron so largely enters, is on 45 the free list.

Keeping the Duty on Spirits at its present rather high rate, it is proposed that the duties charged on Beer and Wine should be lowered. Besides sharing the burden of the general high prices with the Native community, Europeans pay heavily for articles of consumption peculiar to 50 themselves; and now that artisans and others in narrow circumstances are resorting to this country in large numbers to assist in carrying on 1863-64.]

Public Works and Industrial undertakings of various kinds, it is desirable that they should get their European supplies with as little additional cost as possible beyond the necessarily heavy charges of freight from England and conveyance into the interior.

The Duty on Beer, the most wholesome of stimulants and the best suited to this climate, is at present two annas or three pence per gallon. It is to be reduced to a Registration Fee of one anna.

The Duty on Wine was reduced by Mr. Laing from an uniform rate of two Rupees a gallon to one Rupee upon Wines of less value than 12 Rupees per dozen; and two Rupees upon all of a higher value. This arrangement has not answered the object intended, for in the ten months ended on the 28th February last, only Rs. 16,499 was paid at Calcutta on Wine of less value than Rs. 12 a dozen, while Rs. 1,84,683 was paid on Wine above that value. It is proposed that every kind of Wine should be charged a Duty of one Rupee a gallon, which will be equal to an *ad valorem* Duty of about 13 per cent. Several inconveniences arising out of the present discriminating Duty will thus be avoided, and the importation of wholesome Wine will be encouraged.

The total loss of revenue from these reductions of duty, making the necessary allowances on Iron arising out of our connection with the Railway Companies, may be estimated at £50,000. The reduction of duty will take effect from the 1st May 1863.

Of the three great War Taxes originally proposed, the Income Tax alone came into operation; and, by subsequent legislation, incomes less than £50 a year were exempted, and the assessments first made were accepted until the tax expires in August 1865. It is satisfactory to the Government that the state of the finances enables them to a certain extent to anticipate that period, and they propose that one per cent. of the Income Tax shall be remitted from the 1st August next. From that date, therefore, the duty upon incomes will be three, instead of four, per cent.

The annual sum thus remitted is £380,000; but as the Income Tax year is from August to August, one quarter of the one per cent., or £95,000, will come within the financial year 1863-64, and the actual loss in that year will therefore be only £285,000; and adding to this the estimated loss of £50,000 from the remission of Custom Duties, the diminution of revenue will be in all £335,000.

The estimated surplus of income over expenditure, after making ample provision for Public Works and every other object, has been shown to be £815,775; and deducting from this the above-mentioned sum of £335,000, the final surplus is £480,775.

It will be seen from the Estimate of Cash Balances* in the Indian treasuries, that, after taking seven millions sterling out of the Cash Balances for the payment of Debt—that is, one million paid off in India, three remitted this year to the Secretary of State for the payment of Debt at Home, and three more to be remitted for the same purpose next year—it is expected that the Cash Balances on the 30th April 1864 will still amount to fifteen and a half millions sterling.

After a careful study of the Cash Balances, I have come to a decided opinion about them. Their extraordinary increase has not arisen from a

* Appendix.

surplus of income over expenditure. This is simply impossible, because till now we have had no such surplus for many a long year. It arises, in the first instance, from our having borrowed five millions more than we wanted, the proof of which has been worked out by Mr. 5 Drummond. Then there is Prize Money, Service Funds, Suitors' Funds, Local Funds of various kinds, Trust Funds, Deposits; Mr. Wilson's appropriated one per cent. from the Income Tax, a large portion of which remains unspent; the increasing Traffic Receipts from, and the diminishing Expenditure on, Railways; and the action that has been 10 taken in curtailing advances on account, and consolidating outlying balances. Our Cash Balances are like the French institution of the *Pot-au-feu*, into which everything not required for immediate consumption is thrown, with the result that there is always an abundant mess in reserve for the family. It is a characteristic of the Cash Balances 15 that they are constantly ahead of the Estimates made of them, partly because the Estimates are based upon the *status quo*, whereas the balances are continually in process of accretion; and partly because Public Officers generally estimate for the full amount they can by possibility spend, and there is therefore always a balance left of unexpended credits. 20 Beginning from this year, a surplus of income over expenditure will help to swell the balances.

The great Item of so-called "Debt" must not be confounded with the genuine National Debt. It is an *omnium gatherum* of every possible description of Account Current, Trust, and Local Fund. It has long 25 been the *bête noir* of Indian Finance, and we propose to make a real settlement of it by instructing our Financial Officers to scrutinize all the items of it, in concert with the Officers of the Local Governments, and to divide them into two categories.

The first of these will contain all Funds which are properly local— 30 I mean those in respect to which the Local Governments or Municipalities are entitled to exercise their own discretion—and all Trust Funds for which they are responsible. These will be finally placed to the credit of the Local Governments, subject only to an annual Account to be rendered according to a prescribed form of the expenditure of these Local 35 Funds, and an Estimate of the manner in which it is proposed to expend them during the ensuing year. This slight supervision seems to be required by the relation in which the Supreme Government stands towards the Local Governments, and it is also necessary for the guidance of the Supreme Government in making Grants from the General Revenue.

40 The other category will include those Funds which, by whatever name they may be known, are really Public Funds applicable to public purposes. These were very numerous, for almost every Office had one or more private purses of this kind which it filled with all sorts of odds and ends, and employed in defraying public expenditure not included in 45 the Budget Estimate. Various receipts have also been appropriated, from time to time, to particular public services according to a mistaken principle of finance which has been superseded at Home by the principle of having only one consolidated Fund, from which all payments are made. All receipts and payments on the public account will 50 hereafter be carried to Revenue and Charge, and it will then be seen what the Public Income and Expenditure really are.

Thus, by separating one part and incorporating another, we hope to reduce "Debt" to smaller proportions and to establish a stricter responsibility in the application of the various sums of which it is composed, while, at the same time, a solid foundation will be laid for a self-sustained municipal action. But, although the account will be cleared and the administration will be improved by this process, the Cash Balances will not be diminished. The Supreme Government will still be the general purse-holder, and will take care that the surplus of the Cash Balances is invested for the public benefit.

It may be asked in England why no reduction is proposed in the duty on Piece Goods. The English Merchants in India, who have better means of information than their countrymen at Home, have not applied for any such reduction. They are aware that as the duty of five per cent. *ad valorem* is charged on a valuation which was fixed when prices were about half of what they now are, it really amounts only to $2\frac{1}{2}$ per cent. They also know that one argument which has been urged at Home with a show of reason has proved to be without foundation. The so-called protective duty on the Native manufacture has utterly failed to afford protection. The Native Hand-loom Weavers have been prostrated by the blow which staggered Manchester. Having no capital of their own, nor any charitable friends to help them, they have gone down before the excessive price of the raw material and the excessive stocks of the manufactured article firmly held by English Houses, and have emigrated, or gone upon the Railways and other public works, or have given themselves up entirely to agriculture. The great majority, like our own old Hand-loom Weavers, were half agriculturists before; and their recent absorption in the agricultural class has been a benefit both to England and India. Such are the wonderfully productive powers of the soil and climate of India, that agriculture must always be her staple industry. Another long step has been taken in this direction. The insufficient supply of rural labour and the high price of grain and exportable produce have received some mitigation; and when Manchester sets to work again, she will find her rival local manufacturers converted to an unexpected extent into ready-money customers. There has been occasional severe distress, particularly where the manufacture was carried on for general sale at marts, but, on the whole, it is a remarkable proof of the healthy, progressive state of India, that the transition has been got through with so little difficulty. The Government has not been called on for any assistance, and the only subscriptions raised have been for Manchester.

It was shown in Colonel Baird Smith's report that the stagnation of the cotton trade in India must be attributed, 1st, to the lowness of the stocks caused by the commercial difficulties in England in 1857-58, and 2nd, to the large speculative shipments made, in addition to the usual supplies, to take advantage of the high prices arising from the preceding cause. Upon this state of things came the War in America, which, threatening to cut off the supply of cotton, induced the proprietors of goods held in India to instruct their Agents to demand an equivalent advance in price to what had taken place in Europe. Shippers, believing that the Native dealers and consumers would be compelled to pay the price asked, also continued to make nearly the average shipments.

But the Native dealers, being aware of the large stocks held in Europe, and of the consequences to be expected from the sudden cessation of the Civil War, would not speculate at present prices, and the Native consumers did not like to give 50 or 60 per cent. more for their clothes 5 than they had been accustomed to do. This unusual combination of large stocks with high prices was the cause of the depressed state of the trade. The 40, 50, and even 60 per cent. advance of price paralysed the trade, and not the nominal 5 per cent. duty, which, for the reason already explained, had become in reality much less.

- 10 A further advance of price of about 20 per cent. has lately taken place in consequence of an unexpected demand on the part of the Native dealers. India will give almost as much help by taking off the manufactured article, and thus enabling Manchester to offer a good price for the raw material, wherever it is to be had, as by furnishing the raw material 15 itself. This great population never had so much money. They have waited a long time for cloth to get cheaper; but, seeing that it does not, and that neither they nor their Wives and Daughters can go on longer wearing their old clothes, they have begun again to buy.

- All that is possible is being done to increase the supply of raw cotton. 20 If Government became a producer or a trader in the article, private producers and traders would have to retire from the competition. The power of the Government, therefore, is limited to protecting everybody engaged in the trade, to enforcing the strict performance of every lawful contract, and to facilitating the conveyance of cotton to the Coast. All this is 25 being done without stint. Funds will, as I have said, be forthcoming for making Cotton Roads to any extent consistent with the possibility of execution on reasonable terms. The difficulty is, not money, but labour and superintendence. The laches of ages cannot be repaired in a single generation; still less in a year or two. We must not repeat in India the 30 mistake made in Ireland, by not distinguishing between the ultimate capabilities of a country after its resources have been developed, and the improvements which are immediately practicable. The soil and labour of India are so largely engaged in producing Indigo, Saktpetre, Opium, Oil-seeds, Fibres, and other exportable commodities, besides this last urgent 35 demand for cotton, that she can with difficulty meet all the demands upon her. We are too much accustomed to look upon India as an inexhaustible fund to be drawn upon *ad libitum*. She ought rather to be regarded as a Bank, the many pressing claims upon which can be answered in full only by making the most of every available resource.

- 40 I have carefully considered whether the plan which has been adopted of late years in England, of confining Custom Duties to a limited number of principal articles of import, might with advantage be extended to India. Whether Duty be levied on many articles or on few, all must undergo the usual examination, partly for statistical purposes, but chiefly 45 because, unless all were verified, it would be impossible to know which were liable. Nothing, therefore, is gained by limiting duties to a few articles, either in saving expense of collection or in exempting the trade from interference. The Custom Duties in India are collected in a manner which scarcely admits of simplification, and no complaints are heard. 50 India is such a vast and imperfectly developed country that articles which hardly appear in one part exist in abundance in another, and entirely new 1863-64.]

staples occasionally spring into life in answer to some unexpected demand or discovery. Under such circumstances, our policy should be to levy a wide-spread but moderate duty, so as to give free scope to trade in time of peace, and to cherish the increase of a fund which would be our first financial reserve in time of war. A consolidated Customs Act has lately 5 been passed which comprehends every regulation relating to the subject except the tariff.

I promised to notice separately the change which has taken place in the Salt Revenue of Bengal. The monopoly which was established by Lord Clive in 1765, for the purpose of substituting sufficient salaries 10 for the presents and other irregular gains which had up to that time been received by the servants of the Company, has, after passing through a modified state of existence, come to an end before it had quite completed a hundred years. A Select Committee of the House of Commons in 1836 recommended that the import trade of salt should be thrown 15 open, and that the Government should confine itself to a monopoly of the local manufacture, and should sell its salt at the cost price, with the addition of a modified fixed Duty which was to be equally charged upon Government and upon private salt. This plan was adopted, and the Government soon after permitted salt to be made subject to an 20 equivalent excise duty.

Since that there has been a constant struggle between the Government Manufacture and the Private Trade. The long exclusion of foreign salt had given rise to a caste feeling in favour of Bengal salt, which, however much it might be mixed with earthy particles, was preferred 25 by the Natives to the purest and best Cheshire salt; and the latter was even adulterated to make it look like Bengal salt. At last, Cheshire salt was delivered at a price which overcame the prejudice against it, and it began to sell freely throughout the Lower Provinces of Bengal in places in which no salt of the kind had ever been seen, and 30 in which its exposure to sale would hardly have been tolerated in former years by the ignorant villagers. Its conquests are not likely to end here. As the whole available carriage on the North-West frontier has been engaged to meet the pressure of the cotton trade, the importation of salt from that quarter has fallen off, and Liverpool salt is sent far into the 35 interior, by rail and river, to supply the void. This is another instance of the unlimited confidence that may be placed in the self-adjusting capacity of trade if it is really left to itself.

The rapid increase of the sales of private imported salt and the corresponding decrease of the sale of Government salt will be seen from 40 a table submitted by me.*

As it gradually became apparent that the private trade might be relied on for the necessary supply of salt, the Government withdrew from the manufacture. At the beginning of the present financial year, the Chittagong Agency was closed, and the Tumlook and Hidgelee 45 Agencies were united into one; and in February last, orders were issued entirely to discontinue the manufacture, by closing each Salt Pan as soon as the first advances of the season had been worked off.

The charges of manufacture were diminished last year by £175,000, and this year there has been a further reduction of £237,500. This is 50

not all saving, because the expenditure was of the nature of an advance recoverable by the sale of the salt. Nevertheless, the Government was permanently deprived of the use of a large average sum of money; and it is better, for many reasons, that the public revenue should be collected on delivery of the manufactured article over the side of a ship, than by an elaborate system of advances, manufacture, and sale, absorbing time and money which can be ill spared from the really necessary purposes of government.

The clearing of the Forests and the draining of the Swamps at the mouths of the Ganges were seriously interfered with by the salt manufacture. Large tracts had to be kept in a half-submerged state to promote evaporation, and a portion of the Sunderbuns was maintained in a state of nature to grow fire-wood to boil the salt. As it is not to be expected that private persons will take up a losing business from which the Government is retiring, the accelerated improvement of these important suburban districts may be confidently looked for. The Moolunghees, or labourers in the Salt Pans, are, like the Weavers, already half agriculturists, and the demand for their labour, as such, will be increased by the salt lands being given up for cultivation. The prices of agricultural produce are so high that every resource should be made available to increase production.

The remaining Government stock of salt consists of 8,018,161 maunds, or 294,545 tons. When the Government undertook to supply Bengal with salt, it was necessary to keep a large reserve stock in hand; but now private trade has shown itself perfectly capable of supplying, not only Bengal Proper, but other extensive countries in the interior besides; and the sources of supply are so varied that they cannot be cut off. The importations from Liverpool, however much they may have increased of late years, are backed by still more extensive Home resources. Independently of the salt range in the Punjab, and the Sambhur and other Salt Lakes in Rajputana, which have vast areas of supply, an unlimited quantity of cheap salt can be made in the Chilka Lake on the frontier of Bengal and Madras and on every part of the Coromandel Coast. In the Runn of Cutch, ready-made salt in any quantity can be had for the carting.

Besides the waste of public money caused by the locking up of so large a capital, by the gradual melting of the salt, and the heavy cost of ware-houses and establishments, the existence of such a stock is a constant cause of disturbance to the private trade. As the Government has now entirely and finally abandoned the manufacture of salt, and only seeks to recover its advances by the sale of its remaining stock, the engagement not to sell at less than cost price may be considered to have terminated with the exceptional state of circumstances which gave occasion to it. According to my view, the Government might, with perfect fairness and consistency, after giving due notice, sell by auction, from time to time, certain limited quantities of salt till the whole was exhausted. The quantity to be brought forward should have reference to the average sales of the last four or five years of open ware-houses and fixed prices, and the upset prices should not be less than the ruling price of Liverpool salt added to the fixed Duty. All this is for future discussion; for the present, there will be no departure from the practice of selling at cost price.

At the present rate of wages; the highest Salt Duty paid in British India amounts only to an insignificant charge upon the earnings of an ordinary labourer. This tax is levied in a manner free from inquisition, and with less expense and greater certainty than perhaps any other that could be devised. The Salt Tax and the excise upon spirits and intoxicating drugs, amounting together to about seven and a quarter millions sterling, are contributed by 150 millions of the people of India, and these taxes stand in the place of the 40 millions sterling paid by the 30 millions of the British Isles upon their food and tobacco. 5

Among the other advantages conferred upon the people of India by the introduction of Railways, the reduction and equalisation of the price of salt is not one of the least. At Madras a short branch line runs into the centre of the depôt; and it is remarkable that out of 1,229,780 maunds of salt sold at the depôt from April 1861 to November 1862, 1,000,887 were sent by rail into the interior. 10 15

It has truly been said that, after a quarter of a century of exhaustive efforts, beginning with the Afghan War and ending with the mutiny, the want of India is *repose*. But it should not be the repose of indolence. The change should be rather from the destructive arts of war to the reproductive arts of peace. The present is a golden opportunity which should be improved to the utmost, for we know not how soon the existing tranquillity may be interrupted: War does not consume according to rule and measure. Everything else must yield to the necessity of self-preservation. 20

As the financial system is the heart of the Body Politic, upon the healthy state of which the power of meeting the demands both of peace and war depends, our first attention should be directed to it. The foundation of a sound financial system on the English model has been laid broad and deep by my predecessors. The *organic* changes have been successfully made. What remains is to extend the application of those principles throughout the whole field of income and expenditure, so as to remould the entire system into one consistent whole. 25 30

With this view arrangements have been made for a thorough revision of all the public establishments on the plan of that which has been in continual progress at Home, since Sir James Graham commenced his reforms at the Admiralty more than thirty years ago. For some of the more critical investigations two of the ablest financial Officers of Her Majesty's Government will be united with the best man whom the Indian Department actually under revision can produce. In other cases the remoulding will be effected by carefully selected Indian Officers only. The object will be, not economy in the vulgar sense, but the attainment of the highest degree of efficiency, which is alone consistent with true economy. To get rid of unnecessary processes, to ascertain the number and description of persons really required for the effective transaction of business, and to determine the best classification and scale of remuneration is the end proposed. Moderate establishments well worked and well paid are indispensable to a healthy state of the public service. 35 40 45

In the present condition of the public service in India a searching revision on these principles must be productive of the happiest results. Although we have been overtaken by a demand for labour which requires that every available man should be restored to production, the practice 50

in most Departments still is to have a multitude of unprofitable, ill-paid subordinate native seryants who prey upon the public without yielding any adequate service in return. As their wages were fixed when the expenses of living were not half what they now are, they have the same
 5 excuse for abuse of power as the English Civilians had before Lord Clive's reforms. Increase of pay must, therefore, go hand in hand with diminution of numbers, and proper securities must be taken for the admission only of well qualified persons into the public service. The inadequacy of the pay of the subordinate judicial establishments has long been a
 10 public scandal, and it is highly to the honour of the respectable class who fill these appointments that there have not been more instances of malversation. At the same time so many new judicial and magisterial arrangements have been made of late years on different principles, that a re-cast of the existing heterogeneous establishments, especially in Bengal
 15 Proper, is indispensable for the purpose of restoring harmonious action, and the result will, by no means, be always an increase of expenditure.

After the public establishments have been thus re-adjusted, the further modifications which the change of circumstances will from time to time require, should be made on a consideration of the annual Budget
 20 Estimates. The value of this periodical review, in the opportunity it affords of pruning excesses, supplying deficiencies, and adapting the public expenditure to the actual exigencies of the public service, is incalculable; but the "Budget system," as it is here called, is an instrument of portentous power; and when it is neglected and left in the hands of
 25 interested subordinates, it is capable of fearful abuse. Painful symptoms of this have appeared in a few of the estimates which it has been my duty to review, while in other cases they have been prepared with as much fidelity and exactness as the best of our English estimates. These inequalities will, no doubt, be corrected as the great importance of the
 30 operation by which the public expenditure is fixed for the ensuing year becomes better understood. This operation is the foundation of our financial, and has a very important bearing upon the efficiency of our administrative, system.

The other great work of peace, for which this interval of tranquillity
 35 should be utilised to the utmost, is the construction of necessary civil and military buildings, and the formation of roads, railways, canals, and other means of assisting the productive powers of the country. In respect to some of these the active agency of the Government is indispensable; but as regards the great bulk of reproductive works, it is
 40 important for all concerned that our real position should be understood.

The primary business of Government is to protect life and property and to enable all classes of persons to pursue their respective industries and enterprises without molestation, and with as little burden of taxation
 as possible, and the time and strength of the Government and its officers
 45 are severely taxed to perform even this indispensable duty in a tolerably efficient manner.

To conduct all the undertakings which are required to support the industry of a country forms no part of the functions of the Government. This rather belongs to the society itself, acting through various modifica-
 50 tions of the principle of association. In England, which is far ahead of all the world in this respect, the Government has nothing to do with the
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matter. In Ireland the practice was to depend upon the "Castle" for everything; and when the system of grants, either avowedly made as such, or disguised under the name of loans, led to serious abuse, the "Board of Works" was instituted, from the scientific, systematic action of which everything was expected. Then came that terrible teacher the famine. Ireland threw herself without reserve upon the Board of Works, which was supported by all the money and all the agency which England could furnish; and, when it all broke down, people began at last to perceive that the task was beyond the strength of any Government, and that nothing short of the united efforts of the whole society, of which the Government was only the organ and representative, would suffice. Since that, the "Castle" and the "Board of Works" have been allowed to contract within their proper spheres, and, under a system of awakened private industry and enterprise, Ireland has begun to blossom like the rose, and to be a source of strength and credit to England, instead of being her greatest "difficulty."

This is a true illustration of our present position in India. In the absence of all private enterprise, the Government undertook to do what it could; and, although its hands were overburdened, they were not "torpid." This first era of Anglo-Indian public works has been illustrated by the genius of Arthur Cotton and Proby Cautley, and by the self-denying exertions and well-directed talent of many other Officers less known to fame. Public opinion, however, soon became painfully sensible of the insufficiency of these means to the end proposed; but, being still possessed with the notion of the unlimited nature of Government resources, a clamour arose, both in India and England, against the "Department of Public Works," as before in Ireland against the "Board of Public Works." Have we still to learn that to furnish a worthy industrial outfit for such a country as India is beyond the power of any Government? In the prosecution of such undertakings the Government is limited by the amount that can be annually spared out of the produce of the taxes after provision has been made for the primary and necessary functions of Government; for the result is the same, whether appropriations are made out of current income, or loans are raised, the interest of which has to be paid from the same source. The rapid growth of the charge for guaranteed interest for a few Trunk Railways shows that if this scheme was extended to all the public works of the country, the burden could not long be borne. Then the agency which can with advantage be worked by Government is subject to strict limits. It is limited to what can be effectively superintended by a single Chief. These bounds have been already passed, and hence the numerous imputations, too often well founded, of mismanagement or abuse on the part of the subordinate local Officers. It is impossible for any Government to exercise an effectual control over public works of all kinds simultaneously going on in almost every part of a great continent which exceeds the whole of Europe, without Russia, both in area and population.

According to the English practice, the capital available for carrying on public works in India would be commensurate with the entire capital stock of the society at large, and the agency would be extended to the whole of the professional classes, supported and superintended by the classes which, although not professional in this sense, are accustomed to

deal in a business-like manner with undertakings of every description. It would be even more than this, for India would be backed by all the capital and professional skill of England. Such is the wonderful annual accretion of English wealth, drawn from all the four quarters of the world, that if the English people can once be induced to regard India as a field of investment, as South America was once regarded by them in the time of the speculative loans, and as North America was for a much longer period and with much greater practical results, India would rapidly become more to England than any person has yet imagined. The rapidity with which England was covered with Railways shows in how short a time great works may be executed on this principle; and in this case we should profit by the experience of England and avoid her mistakes. Although the Government cannot itself execute all the works that are required by a country like India, it may, with great public advantage, exercise a general supervision by bringing the experience of the whole to bear on every part.

To manage this transition in the manner most for the benefit of society has been one great object of Lord Elgin's government. To pass at once in all cases from entire Government support to the entire absence of it would be overshooting the mark. It does not follow that the Government should give no assistance at all for the future, because it has in some cases given too much heretofore. The military and political objects for which the Government guaranteed the capital to be expended on certain main trunk lines of Railway have been accomplished, while the inconveniences of the system have become painfully apparent. For this has been substituted an arrangement under which any help that may be necessary is given without impairing the motives which are the mainspring of private enterprise. A specific grant-in-aid is made, while the entire profit and loss, together with the unrestricted management, are left with the Railway Company. The grant-in-aid is either greater or less according to the special circumstances of each undertaking; and according to the same circumstances it assumes various forms—being sometimes given in the shape of the concession of an existing road upon which the rails may be laid—sometimes, in that of a new earth-work constructed for the purpose—sometimes of a single sum paid, once for all, at so much a mile—and sometimes of the promise of an annual payment for so many years: while, in other cases, only the land is given.

As experience increases, it becomes more apparent that the assistance required from the Government for the successful prosecution of Railway enterprise in India has been greatly over-estimated. My own opinion is that there is no country in the world where, with common prudence and exertion, Railways can be made with greater advantage. The opening of the East Indian Railway to Benares has been followed by a stream of traffic with which the Railway Managers, with their present means, are totally unable to contend; and when the gap between Benares and Allahabad has been filled, the stream will still more overflow its banks. What is wanted is, not Government assistance, but English capital and skill, *and above all, experienced and able Railway management.* The circumstance that certain trunk lines have been made with the aid of a Government guarantee, has led to a fallacious idea that branch lines cannot be made without it; but numerous lines of Railway may be made

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between populous cities and through highly cultivated districts, which, although branch lines in reference to the guaranteed trunk lines, would be themselves trunk lines of no mean importance in relation to their own dependent provinces.

Again, there is a great country in the interior of India occupied by the Native States, where, owing to the absence of engineering difficulties, Railways may be made at a cheaper rate than the cheapest English agricultural lines; while, owing to the marked difference of natural capabilities, an extensive trade is carried on between the salt and grain producing regions on one side, and the great Gangetic Valley, with its abundant supplies of tropical produce, on the other. As we go on, we shall get entirely out of the leading strings of Government assistance, and all that will be expected will be that the State through which the Railway passes should provide the land. If the Railway will not yield the ordinary rate of profit without a subsidy from the Government, it can only be made at a loss; and there are so many lines in India which would undoubtedly yield a profit, if properly made and managed, that they should at least have a priority of construction. One most important element in the comparison between the relative prospects of the guaranteed Railways and of those which will be made by private enterprise, is the substitution of private thrift and attention to details, for the careless, wasteful management which, constituted as human nature is, must be the consequence of assured profits and dependence upon others.

A similar change is in progress in marine affairs. The Indian Navy has been dissolved, and the protection of the coasts of India has been transferred to Her Majesty's Naval Force; arrangements are in progress for disposing of the expensive sea-going and river steamers hitherto in use, and employing, under fixed contracts, the lines of passage and freight steamers which have been established along the coasts of India. The large Government Dock-yards at Bombay, Calcutta, and Rangoon have been the chronic cause of a profuse public expenditure, which Home, as well as Indian experience proves cannot be effectually controlled. These establishments, with all their machinery, buildings, and stores, will be transferred on suitable terms to private Companies, constituted for the purpose of improving and working them in the interests of the trade of the respective places, subject only to the condition that ships belonging to Her Majesty shall have the priority of their use at the rates charged to private persons. The shipping belonging to, or frequenting the Ports of Calcutta, Bombay, and Rangoon has so increased of late years that it stands in need of support and assistance of this kind as much as the shipping of London, Liverpool, or Glasgow, and the public finances will gain, not only by saving the expense of the Dock-yards, but by the encouragement which will be given to commerce.

Having now performed to the best of my ability the responsible duty of explaining the state and prospects of the finances, and having shown how impossible it is that plans for the public benefit can bear their expected fruit without the hearty co-operation, not only of the official body, but also of the independent mercantile community, I conclude by expressing a fervent hope that God will enable us to give effect to these good designs by granting us a continuance of peace, and by putting into the hearts of all a spirit of mutual confidence and good-will.

APPENDICES.

General Abstract Statement of the Revenues and Charge

Revenues and Receipts.	Actuals, 1861-62.	Budget Estimate, 1862-63.	Regular Estimate, 1862-63.	Budget Estimate, 1863-64.
	£	£	£	£
Land	19,684,670	19,242,700	19,430,000	*19,708,900
Sayer and Forest	460,728	538,000	577,000	† 250,000
Abkaree	1,786,157	1,807,300	1,885,000	1,839,300
Assessed Taxes	2,054,696	1,583,100	1,789,800	‡ 1,306,200
Customs	2,876,139	2,475,000	2,387,500	‡ 2,339,600
Salt	4,563,081	5,054,700	5,337,500	5,402,400
Opium	6,359,269	6,300,000	7,850,000	8,000,000
Stamps	1,693,217	1,850,000	1,532,000	1,523,600
Mint	380,735	257,100	368,100	350,000
Post Office	402,135	480,900	430,000	430,000
Electric Telegraph	73,452	70,700	82,400	85,000
Law and Justice, and Police	511,513	493,000	518,400	680,200
Marine	155,723	200,000	278,600	350,000
Public Works	588,858	650,000	607,500	600,000
Tributes and Contributions	780,162	685,200	691,000	744,000
Miscellaneous—Civil	468,500	450,000	400,000	450,000
Miscellaneous—Military	956,219	800,000	900,000	822,000
Interest	34,218	33,500	40,000	90,000
‡ Previously to the reductions of taxation referred to at page 151 of the Statement, these items stood as follows:— Assessed Taxes ... £ 1,591,200 Customs ... „ 2,389,600				
Total Revenues and Receipts	43,829,472	42,971,200	45,105,700	44,971,200
Deficit	150,628	Surplus.	Surplus	Surplus.

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 30th April 1863.

* Land Revenue £ 19,384,500
 Items added from Sayer 324,400
 19,708,900
 † Forest revenue only, excluding Sayer £324,400 added to Land Revenue.

1863-64.]

of India, for the Years 1861-62, 1862-63, and 1863-64.

Expenditure.	Actuals, 1861-62.	Budget Estimate, 1862-63.	Regular Estimate, 1862-63.	Budget Estimate, 1863-64.
	£	£	£	£
Allowances, Refunds, and Drawbacks ...	341,538	230,700	371,700	270,800
Land Revenue (including Forest), and Abkaree	2,030,489	2,266,700	2,230,000	2,354,500
Assessed Taxes	121,043	60,000	76,400	51,400
Customs	243,547	253,800	260,800	244,300
Salt	646,931	725,600	556,500	293,100
Opium	1,449,465	2,100,000	1,993,500	2,003,500
Stamps	68,268	83,000	97,500	91,000
Mint	106,688	170,700	200,000	147,500
Post Office	481,328	600,000	550,000	600,000
Electric Telegraph	358,223	162,600	380,000	341,200
Allowances and Assignments under Trea- ties and Engagements	1,640,466	1,755,100	1,767,500	1,745,700
Allowances to District and Village Offi- cers	599,682	531,900	535,000	536,200
Miscellaneous	20,742	35,300	54,500	50,800
Contingencies, Special and Temporary ...	...	8,000	25,000	8,400
Army	13,681,900	12,200,000	12,466,000	12,646,900
Marine Charges	686,193	472,000	500,000	307,000
Public Works*	4,742,183	4,260,000	4,600,000	4,995,100
Salaries and Expenses of Public Depart- ments	1,106,749	1,203,600	1,201,000	1,178,400
Law and Justice	1,951,217	2,100,000	2,175,000	2,329,700
Police	2,163,163	2,051,100	2,100,000	2,280,000
Education, Science and Art	342,593	500,000	400,000	461,600
Political Agencies and other Foreign Ser- vices	210,670	187,300	200,000	225,200
Superannuation and Retired Allowances, and Gratuities for Charitable and other purposes	703,297	658,800	702,500	710,000
Miscellaneous	209,702	228,600	250,000	262,300
Civil Contingencies, Special and Tempo- rary	204,782	118,100	126,000	57,700
Interest	3,134,897	3,367,100	3,410,000	3,333,000
Expenditure in India ... £ ...	37,245,756	36,322,400	37,228,900	37,525,300
Net Expenditure in England... ..	5,309,264	4,961,986	5,491,432	5,347,300
Guaranteed Interest on Railway Capital, less Net Traffic Receipts	1,425,080	1,500,000	1,688,200	1,617,825
Total Expenditure £ ...	43,980,100	42,791,386	44,408,532	44,490,425
Surplus	Deficit.	179,814	697,168	480,775

* For the details of this Grant, see Appendix, page iv.

E. H. LUSHINGTON,
Secretary to the Government of India.

[1863-64.

Estimate of Cash Balances in the Indian Treasuries on the 30th April 1864.

1863-64.]

RECEIPTS IN INDIA IN 1863-64.		£	DISBURSEMENTS IN INDIA IN 1863-64.		£
Revenues	...	...	Expenditure in India	...	37,525,300
Debt (Receipts on account of)	...	...	<i>Deduct items included in above :—</i>		£
			Stores from England	...	557,900
			Dividends on India Transfer Loan	...	77,500
			Property	...	39,200
			Miscellaneous	...	674,600
<i>Recoveries in India of Payments in England :—</i>					
Funds, Family Remittances, &c.	...	1,121,600	Debt (Payments on account of)	...	36,850,700
Net Railway Earnings	...	828,000	<i>Payments in India on account of England :—</i>		11,388,700
			Railways	...	4,000,000
			Other Payments	...	105,300
					4,105,300
			<i>Remittances to England on account of Payments for India :—</i>		
			Guaranteed Railway Interest	...	2,445,825
			Other Payments	...	6,131,975
					8,577,800
			Unadjusted amounts between Presidency and Presidency	...	200,000
Estimated Cash Balance on the 30th April 1863	...	17,500,000	Estimated Cash Balance on the 30th April 1864	...	15,427,400
					£76,549,900

FORT WILLIAM,
 FINANCIAL DEPARTMENT;
 The 30th April 1863.

E. H. LUSHINGTON,
 Secretary to the Government of India.

Home Charges in 1863-64.

D E B T.			£	£
Dividends to Proprietors of East India Stock	...	...	629,970	
Interest on Loans contracted in England -	...	...	1,429,789	
TOTAL DIVIDENDS AND INTEREST				2,059,759
CIVIL.				
Charges General, Home Establishments, &c.	...	...	171,300	
Amount payable under the Postal arrangement	...	...	56,000	
Red Sea and India Telegraph Company—Charge to India	...	...	18,000	
Persian Gulf Telegraph Cable	...	...	200,000	
Mission to the Court of Persia—Charge to India	...	...	12,000	
Her Majesty's Establishments in China—Charge to India	...	...	15,000	
Miscellaneous, including India Office, site and building	...	...	240,300	
Telegraph Land Lines through Turkey and Persia	...	...	5,000	
Pensions and Retired Allowances, viz.:				
Civil Pensions, including late St. Helena Establishment...			253,000	
Annuities of the Madras Civil Fund of 1818	...	...	4,800	
Furlough and Absentee Allowances	...	...	88,000	
TOTAL CIVIL CHARGES				1,063,400
MILITARY.				
<i>Effective Charges.</i>				
Imperial Government for Troops serving in India	700,000			
Passage of Troops	...	101,592		
Passage and Outfit of Officers	...	43,928		
Furlough Allowances	...	200,000		
Miscellaneous	...	9,612		
Total Effective Charges			1,055,132	
<i>Non-Effective Charges.</i>				
Imperial Government for Troops serving in India	245,000			
Retired Pay, including Colonel's Allowances	...	805,000		
Pensions, Lord Clive's Fund	...	108,000		
Total Non-Effective Charges			1,158,000	
TOTAL MILITARY CHARGES				2,213,132
MARINE.				
Pensions and Retired Allowances, Indian Navy and Bengal				
Pilot Service	...	...	70,000	
Furlough Absentee Allowances	...	...	1,000	
TOTAL MARINE CHARGES				71,000
TOTAL CHARGES IN ENGLAND			.....	5,407,291
<i>Deduct—</i>				
Miscellaneous Home Receipts	...	...	.....	60,000
NET EXPENDITURE IN ENGLAND			.....	£5,347,291

GRANTS FOR PUBLIC WORKS.

	1862-63.	1863-64
	£	£ ¹
Works of Public Improvement ...	2,380,000	2,618,000
Railway Supervision and Cost of Land ...	132,500	182,500
Loss by Railway Exchange ...	366,300	294,600
Civil Buildings ...	570,000	570,000
Military Works, Ordinary ...	650,000	650,000
Military Works, Extraordinary ...	50,000	300,000
One per cent. appropriated ex Income Tax ...	380,000	380,000
Total ... *	4,528,800	4,995,100
Total for 1862-63 ...		4,528,800
	Increase ...	466,300

* To tally this with the sum of £4,260,000 appropriated for Public Works in the Budget Estimate for 1862-63—

1st.—Deduct £366,300 for loss by exchange not included in that appropriation; and

2nd.—Add £97,500 for Post Office and Telegraph Works, which was included but is now provided for in the grants for those Departments :—

$$£4,528,800 - £366,300 + £97,500 = £4,260,000.$$

BENGAL.
Quantity of Salt sold and imported in 1841-42 and subsequent years down to the latest date.

	GOVERNMENT SALT SOLD		Private Salt imported.	Private Salt excised.	Total Quantity.	Rate of Duty per Indian Maund.		Date of reduction or increase of Duty.
	At Presidency.	At the Agencies.				Rs.	A. P.	
	Ind. Mds.	Ind. Mds.	Ind. Mds.	Ind. Mds.	Ind. Mds.			
1841-42	39,59,336	8,33,026	6,12,592	.....	54,04,954	3	4 0	
1842-43	38,70,635	8,36,798	8,92,743	.....	56,00,176	3	4 0	
1843-44	39,07,624	8,27,967	9,67,011	.....	57,02,602	3	4 0	
1844-45	41,50,346	8,64,391	9,70,596	.....	59,85,333	3	4 0	11th Nov. 1844.
1845-46	33,99,275	9,15,202	15,82,187	.....	58,96,664	3	0 0	
1846-47	37,11,447	9,95,713	14,66,744	.....	61,73,904	3	0 0	1st April 1847.
1847-48	39,92,316	9,15,876	16,15,086	.....	65,23,278	2	12 0	
1848-49	33,16,637	9,20,480	16,10,256	16,450	59,63,823	2	12 0	1st April 1849.
1849-50	33,76,357	10,75,828	21,03,219	23,630	65,79,034	2	8 0	
1850-51	28,25,101	8,50,602	26,01,034	36,000	63,11,737	2	8 0	
1851-52	22,38,702	8,77,051	29,26,866	18,900	60,61,219	2	8 0	
1852-53	31,26,129	8,86,015	24,94,333	19,495	65,24,972	2	8 0	
1853-54	37,89,914	8,66,324	16,61,955	43,050	62,60,343	2	8 0	
1854-55	39,65,777	9,48,414	17,97,054	15,600	67,26,845	2	8 0	
1855-56	28,46,431	9,38,437	36,00,128	54,533	74,39,529	2	8 0	
1856-57	27,77,770	10,00,343	38,46,372	47,475	76,70,960	2	8 0	
1857-58	27,49,191	9,16,666	34,29,279	18,263	71,13,399	2	8 0	
1858-59	32,48,331	9,99,736	37,98,920	13,560	80,60,547	2	8 0	
1859-60	33,68,869	10,41,623	26,88,729	46,400	71,45,621	3	0 0	21st December 1859.
1860-61	45,58,541	10,19,690	30,59,760	29,000	86,60,991	3	0 0	
1861-62	7,63,697	8,64,658	45,92,707	24,450	62,45,512	3	4 0	20th March 1861.
1862-63	*10,68,012	8,02,420	60,54,718	39,675	79,54,825	3	4 0	

* The figures in this last column are founded to a small extent on estimate.

FORT WILLIAM,
 FINANCIAL DEPARTMENT;
The 30th July 1863.

E. H. LUSHINGTON,
Secretary to the Government of India.

FINANCIAL STATEMENT

BY

THE HONORABLE SIR C. E. TREVELYAN, K. C. B.

APRIL 7th 1864.

I remarked in my last Financial Statement that, after a long series of Indian deficits, the year 1862-63 opened a new era. The account of that year has now been completed, and the surplus of income over expenditure amounts to £1,827,345, which sum was added to the Cash balances.

Compared with the budget estimate of the year, the improvement is £1,647,531, or, according to the Secretary of State's corrected statement, £1,183,631. The increase in the single item of opium was £1,755,476. Mr. Laing's estimate was £6,300,000. The actual receipts were £8,055,476.

The increase in the revenue of India during the last five years, corrected according to the actual accounts, is as follows:—

1858-59	...	...	...	£36,060,788
1859-60	...	...	...	£39,705,822
1860-61	...	...	...	£42,903,234
1861-62	...	...	...	£43,829,472
1862-63	...	...	...	£45,143,752

The most important event of the current year, 1863-64, in its bearing upon the finances, has been the depressed state of the money market. The first symptoms of this appeared at Bombay in October, and, throughout the last six months of the year, the revenue has suffered from its injurious influence. Upon the opium revenue the effect has been particularly marked. The average price of the Calcutta sales during 1862-63 was Rs. 1,429 a chest. The average price during the first six months of 1863-64 was Rs. 1,371. The average price of the five sales which have since taken place is Rs. 1,100. At Bombay, owing to the scarcity and dearness of money, which afterwards extended to China and caused a serious fall in the prices there, the taking out of opium passes at the fixed rate of Rs. 600 a chest was almost suspended. Last year, in order to get the benefit of the high prices, every available chest was sent down to Bombay. This year, a large number of chests are held back, awaiting a better state of the money market, and the greater part of the receipts from the pass duty will be thrown forward to 1864-65. The budget estimate for Bengal will be rather more than realised; but there

[1864-65.

is an estimated deficiency of £1,150,000 on the entire produce of this branch of revenue in the two Presidencies of Bengal and Bombay.

Two other sources of revenue show a small decrease owing to exceptional causes. "Customs" are £15,400 less than the budget estimate, 5 and £140,166 less than the actual receipts of 1862-63. The import trade, from which the greater part of the customs revenue is derived, has continued in a depressed state, owing to the high price of Manchester goods and the abnormal condition of the money market. The other item is "Salt," in which there is a decrease, compared with the budget of 10 £124,100; but an increase, compared with the actual receipts of 1862-63 of £34,150. Owing to the unusually large quantity of duty-paid salt which came into the market in Bengal in 1862-63, the decrease there is £200,000, but there is an increase of £27,500 in the Punjab, and of £61,000 at Madras.

15 The other sources of revenue show satisfactory improvement.

In land revenue the increase is general throughout India, amounting to £572,100 compared with the budget estimate, and £710,853 compared with the actual receipts of 1862-63.

In "Forest," which is now separated from "Sayer," there is an 20 increase of £41,900.

In "Abkaree" there is an increase of £154,700 compared with the budget estimate, and £42,920 compared with the actual receipts of 1862-63. This increase would have been larger, but for a falling off in the North-Western Provinces owing to the introduction of the sudder 25 distillery system in May last. The object of this system is to raise a maximum revenue from a minimum consumption. The loss of revenue is not to be regretted so far as it is caused by the cessation of the inducements to the intemperate use of spirits held out by the former contract system; but it is not desirable that there should be a virtual prohibition of the ordinary wine of the country,* which can only benefit 30 the smuggler. The experiment is in safe hands, and the whole of India will gain by its being satisfactorily worked out.

The "Income Tax" shows an increase of £88,800 compared with the budget estimate, of which £51,700 occurs in Bombay. Compared 35 with the actuals of 1862-63, when the tax was one per cent. higher upon incomes above Rs. 500, and the tax of two per cent. on incomes below Rs. 500 had still to be collected for three months, there is a decrease of £487,212.

"Stamps" show an increase of £208,600 compared with the budget 40 estimate, and of £242,562 compared with the actual receipts of 1862-63.

The other items are under heads the receipts of which accrue under no fixed rules, but vary with the circumstances of the time. They show an increase of £5,700 compared with the budget estimate, and of £640,797 compared with the actuals of 1862-63. The falling off of 45 £125,400 in "Military receipts," compared with the budget estimate, is chiefly caused by the cessation of the nominal receipts from cash payments between Departments; and the diminution of £250,700 under

* This is made from the Mowa flower. It is weak and perishable, and stands in the same relation to the people of the country as beer does to the labouring classes in England.

Public Works arises, partly from the withdrawal, from this head of receipt, of funds which, although received by Public Works Officers, were expended for, and had been finally appropriated to, local objects; and partly from Public Works Receipts having been over-estimated.

The whole of the Revenue of the year, including Opium, is less 5 than the Budget Estimate by £217,700, and than the Actual Receipts of 1862-63 by £390,252. Excluding Opium, there is an increase of £932,300 compared with the former, and of £815,224 compared with the latter. The temporary falling off in a branch of Revenue which is peculiarly dependent upon the state of the money and produce-markets, 10 has, therefore, been almost compensated by the continued improvement of those branches which are the true index of the condition of the people. The increase of £710,853 in the Land Revenue, compared with last year, furnishes decisive proof of the prosperous state of the agricultural community. It must arise from extended and improved cultivation, for there 15 has been no enhancement of rates. The increase of £242,562 in the produce of the Stamp Revenue, in like manner, shows the activity which has prevailed among the Commercial classes and the increasing extent of their transactions.

Before noticing the expenditure, it is necessary to mention that the 20 practice of dividing the charge for the same service among several Departments has been discontinued, and the grants are now shown according to the English method, under the Departments which undertake the respective services. Therefore, although the aggregate sum of the Estimate published with the Financial Statement of the 30th of 25 April last, is the same as that of the Budget Estimate now given, the details vary under most of the heads of expenditure from those which appeared in that Estimate.

The increase under "Allowances, Refunds, and Drawbacks," £47,700, is nominal, the entire amount being on both sides, and the 30 payments being claimable of right. Compared with the Actuals of 1862-63, there is a decrease of £26,766.

The increase under "Salt," £56,475, arises in Bengal and Bombay. In the former Presidency, reductions in Establishments were not effected so early as was anticipated, and in the latter, the purchase of Salt which 35 had previously been shown under a suspense head in the "Debt" Account, is now shown as a charge against Revenue. Compared with the Actuals of 1862-63, there is a decrease of £164,511.

The increase under "Opium," £108,700, is caused by larger advances made to cultivators at the increased rates, and by the sums expended in 40 buildings. Compared with 1862-63, there is an increase of £253,122.

The increase of £36,504 under "Mint" arises from the more full employment of the Mints at Calcutta, Madras, and Bombay.

The increase under "Army," £150,309, is caused by the expenditure estimated, at £200,000, arising out of the Sitana Expedition, and 45 the movements of Troops connected with that Expedition and with the Camp of Exercise which was at one time contemplated. Compared with 1862-63, there is an increase in the Military expenditure of £956.

The increase under Marine charges, £244,344, is caused by the Marine Establishments at Bombay not having been reduced to the extent 50 intended. Compared with 1862-63, the decrease is only £193,390.

[1864-65.

The sum appropriated for "Public Works" by the Budget of 1863-64, irrespective of the construction of Railways, was £4,995,100, after which additional grants were made, which brought the total amount up to £5,408,575; but, according to the best information that can be obtained, 5 at least £250,000 of this will not be expended previously to the termination of the financial year, because the available supply of labour is limited in many parts of India, and professional establishments cannot be suddenly expanded to meet additional demands upon them. The sum at which the expenditure for "Public Works" has been taken in the 10 Regular Estimate is, therefore, £5,158,575. This is £163,475 more than the Budget Estimate, and £757,943 more than was expended in 1862-63.

The Budget Estimate for "Education, Science and Art" was £461,600, which was increased by additional grants to £552,300. 15 Owing, however, to the late period at which most of these additional grants were made, and to the time occupied in the administrative arrangements to give effect to them, it is improbable that the sum expended within the financial year will exceed £502,300. This is an increase over the Budget Estimate of £40,700, and of £101,939 over the ex- 20 penditure of 1862-63.

The decrease under "Interest," £98,208, is caused partly by the reduction effected in the Public Debt by the purchase of Government Securities, and partly by the exclusion of Unclaimed Interest after a careful calculation of the average charge. Compared with 1862-63, 25 there is a decrease of £106,680.

Under "*Net Expenditure in England*" there is a decrease of £312,118, which arises from an increase of £132,662 in the Home Receipts, and a diminution of £179,447 in the Home Charges.

"Guaranteed Interest on Railway Capital, less Net Traffic Re- 30 cepts" is also less than the Budget Estimate by £71,492, the net Traffic Receipts having been larger than was expected by £88,667.

According to the Regular Estimate, the net increase in the expenditure compared with the Budget Estimate is £231,546.

The Budget Estimate assumed a surplus of Income over Expendi- 35 ture of £480,775. According to the Regular Estimate, the surplus will be only £31,529, being a difference against the Budget Estimate of £449,246. My own expectation, however, is that, when the accounts of the year are finally made up, the customary result of increased receipts and diminished expenditure will appear, and the surplus will be found 40 to be as large as was originally estimated by me. Compared with the actual accounts of 1862-63, the Regular Estimate for 1863-64 is worse by £1,795,816. This is mainly due to the difference, amounting to £1,205,476, between the receipts from Opium in the former and in the latter year.

45 In my last Financial Statement, I announced on behalf of the Government, that any funds that could be expended with advantage on Roads, on Works of Irrigation and Navigation, or on any other useful works, would be granted, during this financial year, in addition to the large appropriation for Public Works, amounting to nearly £5,000,000, 50 made by the Budget, and to £4,000,000 more estimated to be required for the construction of Guaranteed Railways. I also said that if, in 1864-65.]

the course of this year, any well-considered plans for promoting Education were brought forward which could not be provided for from the grant of the year, a further appropriation would be made. These pledges have been redeemed. No objection has been made to any proposal for Public Works or Education on the score of want of Funds. The additional grants for Public Works have amounted to £413,475, and for Education to £90,700. They will not all be spent within the year, as has been already stated; but the Government did all that was in its power.

I also showed how much a healthy state of the finances would be promoted if, instead of paying for Public Works out of the Cash Balances, the whole expenditure of the year, including the great Public Works grants, were provided for out of Ways and Means raised within the year, and the surplus of the Cash Balances were employed in extinguishing Debt. This policy has been acted upon. Including the Public Securities purchased from the Currency Deposits, which are held to meet a possible, but extremely improbable, demand for the payment of an equivalent amount of Government notes, the net annual charge for Interest here and at Home has, within the last two years, been reduced by half a million. The operations alluded to are as follows:—

<i>At Home.</i>				£	
East India Bonds paid off	...	...	...	256,200	
Loans on Security of East India Bonds repaid	...	...	...	1,500,000	
Debentures paid off	...	...	...	5,557,000	
<i>In India.</i>					
Government Securities purchased out of the Balances at Calcutta				1,000,000	25
Ditto ditto out of the proceeds of the sale of Waste Lands and Confiscated Estates	...	...	...	100,000	
Ditto ditto out of the Currency Deposits under Act XIX of 1861	...	...	...	3,000,000	
Tanjore Debt and Treasury Notes and Bills paid off	...	...	...	431,303	30
Loan repaid to the Rajah of Cashmere	...	...	...	60,000	
Cancelled Government Securities of the Rebel Narain Sing after deducting £75,000 to make a provision for his brother by adoption	...	...	...	200,500	
TOTAL				12,105,003	35

On the other hand, non-transferable notes have been granted for £669,067 for the investment of sums belonging to the Pension Funds of different branches of the public service; but as the Government has bound itself to receive the available balances of these Funds, whether the money is wanted or not, and to allow rates of interest higher than the usual rate, they should be distinguished from the ordinary debt. These transactions have in them more of the nature of grants than of loans.

It must be remembered that, as mentioned in my last Financial Statement, we borrowed, towards the close of the mutiny, five millions sterling more than we wanted.

According to the Budget Estimate, the Cash Balance on the 30th April 1864 would have been £15,427,400. According to the Regular Estimate it will be £14,533,834, or £893,566 less. This is the balance which remains in hand in India after providing for the payment of the Drafts of the Secretary of State to the extent of £9,000,000, and for payments to the several Railway Companies and the Irrigation and Canal Company, amounting to £3,873,567. The sale of the Secretary of State's bills upon the Indian Treasuries has given great relief to trade,

by obviating the necessity for the remittance of an equal amount of Bullion from England; and further aid has been afforded by gathering up our Indian balances, and sending to Bombay every available Rupee to be exchanged for a portion of the Bullion which the Mint was unable to 5 coin with the requisite speed. The working power of the Mint has been lately much increased by additional machinery.

At Home, there are only two Treasuries—the Bank of England and the Bank of Ireland—and an annual expenditure of upwards of £70,000,000 is worked by a Cash Balance which seldom amounts to 10 more than £6,000,000; and even this is exhausted by the payments of the dividends after the close of the quarter. In India, there are 211 separate Treasuries, which have to be kept in funds to provide for the payment of the Troops and other current demands; and, with a total annual expenditure of only £44,000,000, including the payment of the 15 Secretary of State's Drafts, the average Cash Balances in India have been in 1860-61 £14,144,240; in 1861-62 £16,451,621; in 1862-63 £18,322,423; in ten months of 1863-64 £15,376,033; and in the whole forty-six months £16,103,907. This is in addition to the Cash Balance at the credit of the Secretary of State in London. Therefore, although 20 the difficulties are great, there is still much room for improvement in India in this important branch of finance; and arrangements have been made, by a careful classification of the Treasuries, and a strict limitation of the amount to be retained in each, for keeping the Balances in the Provincial Treasuries as low as possible, and for promptly remitting 25 all surplus funds to the General Treasuries at Calcutta, Madras, and Bombay, in order to their being utilised for the public service. These large accumulations of silver, under the name of Cash Balances, are one of the causes of the scarcity of that metal. Their amount for each month since May 1860 will be seen from the Table in the Appendix, page i.

30 I now proceed to the expenditure for 1864-65.

In "Allowances, Refunds, and Drawbacks" there is an increase, compared with the last Budget Estimate, of £20,040; but as this item is incapable of strict regulation, it calls for no remark.

In "Land Revenue, Forest and Abkaree," there is an increase of 35 expenditure amounting to £245,368 compared with the Budget Estimate, and to £270,450 compared with the Regular Estimate of 1863-64. The progress of improvement has given value to the Forests, and exertions are making to save them from further dilapidation by a well-considered system of conservation. This is one reason for the increased expenditure; 40 another is the employment of additional establishments in every Province to revise the existing Land Revenue Settlements, with a view to give to India, at the earliest practicable period, the advantage of a permanent limitation of the Land Tax, or, where the cultivation is in too backward a state to allow of this, of a thirty years' lease. The outlay upon this 45 and upon the conservation of the Forests, is of the nature of a reproductive investment. The financial results, direct and indirect, of the new Permanent Settlement, will be of the most important kind. One effect will be that the charge for the settlement and collection of the Land Revenue, which has become a very serious item, will be much 50 diminished.

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There is a reduction of £5,377 in "Assessed Taxes," and of £76,017 in "Customs," compared with the expenditure provided for in the Budget Estimate of 1863-64.

In "Salt," there is an increase of £50,372 compared with the Budget Estimate of 1863-64, which chiefly arises from the provision made at Madras for an increased quantity of salt for consumption in 1864-65; but there is a reduction of £170,614 compared with the actual expenditure of 1862-63, caused by the cessation of the Government manufacture in Bengal.

In "Opium," there is an increased expenditure of £253,461 compared with the Budget Estimate, and of £144,761 compared with the Regular Estimate for 1863-64. This also is of the nature of an investment to be reproduced in increased receipts. The increase in the rates of payment to cultivators has produced that extension of the cultivation which was pronounced by Mr. Wilson and Mr. Laing to be indispensable for the preservation of the Opium Revenue.

The expenditure on "Stamps" is substantially the same as in the Budget and Regular Estimates for 1863-64.

The expenditure on the three Mints of Calcutta, Madras, and Bombay shows an increase of £89,869 compared with the Budget Estimate, and of £53,365 compared with the Regular Estimate of 1863-64. This arises from the necessary preparations for an increased coinage of Silver and Copper money during the ensuing year, the expected fruit of which is seen in the estimated increased receipts from this source, amounting to £78,500 compared with the Budget Estimate of 1863-64.

Both "Post Office" and "Electric Telegraph" show a small decrease of expenditure, which, in the case of the Post Office, chiefly arises from the development of the Railway system.

There is a reduction of £50,458 on "Allowances and Assignments under Treaties and Engagements," and an increase of £40,481 on "Allowances to District and Village Officers" compared with the Budget Estimate of 1863-64. These payments are made under positive engagements or fixed rules.

On "Miscellaneous" and "Contingencies, special and temporary," taken together, there is a decrease of £10,569 compared with the Budget Estimate of 1863-64.

The actual expenditure on the Army in 1862-63 was £12,764,325. The Budget Estimate for 1863-64 was £12,614,972. The Budget Estimate for 1864-65 is £12,653,189.

Under this aggregate, important increases and decreases are included.

The new scales of Staff Salaries and Regimental Pay cause an additional annual charge of £90,000.

Increased pay to Native Officers and improved rates of Good Conduct Pay to Privates of the Native Army, £90,400.

The transfer of the two remaining Military Police Corps from the Police to the Military Establishment, £27,400.

Two years' arrears of compensation for Extra Clothing recently granted to the European Troops, £60,000.

Additional compensation for dearness of provisions to the Native Troops in the Madras and Bombay Presidencies, £45,000.

Increased expenditure in the Bengal Ordnance and in the Madras and Bombay Commissariat, caused, partly by the necessity of bringing up reduced stocks, and partly by the present enhanced prices, £110,000.

On the other hand, £50,000 has been saved by reduced stock, and diminished price of beer; and £60,000 by the decrease and better regulation of the Pension List. After deducting the cost of gratuities and extra pensions to the Madras Native Artillery, to four Regiments of Madras Native Infantry, and to the East Indian Regiment, which are to be disbanded, there will be a reduced expenditure of £35,000 in 1864-65; and a prospective reduction of upwards of £60,000. A transfer has been made to the Civil Departments of the charge for the pay of Officers employed by them, amounting to £63,700.

It will be seen from what I have said that, while, on the one hand, reductions of permanent charge have been made, on the other, a considerable additional outlay has been authorized for improvements which will promote the fidelity and efficiency of the Native, and the comfort of the European, Army. But for the heavy additional charge arising from this, and from the increase of prices, especially in the Madras and Bombay Presidencies, there would have been a reduction in the Military expenditure. Order has been re-established in the administration of the Army after the great convulsion through which it passed, and all that relates to the accounting for, and auditing of the expenditure, is worked up closer than before. At the same time the tendency to increased expenditure, arising from enhanced prices and the demand for improvements of various kinds, continues, and will be productive of embarrassing results, if it is not met by corresponding measures of economy. The entire estimated cost of the Indian Army for the year, including the payments to be made at Home, is £14,856,201.

The incidental receipts of each Department are credited in the Balance Sheet on the opposite side from the expenditure. It will be seen that the sum expected to be received in connection with the Army in 1864-65 is £661,300, so that the net charge for the Army in India is £11,991,889.

“Marine Charges” are £231,924 more than the Budget Estimate for 1863-64, which was taken on the supposition that the marine expenditure would be much diminished by the abolition of the Indian Navy. Subsidies to Steam-boat Companies, amounting to £46,200 per annum, which had previously been divided among several Departments, will, for the future, be entirely charged to this head. “Marine Charges” are still in course of reduction as the arrangements for the Royal Navy performing the same duties in the Eastern Seas as in other parts of the world are carried into effect.

The grant for Works of Public Improvement for the current year was £2,380,000, with a Reserve Fund of 10 per cent., or £238,000 for any works which it might afterwards be determined to commence, and which could not be provided for out of the proportion of the £2,380,000 allotted to the several local Governments and Administrations. The additional sum actually granted exceeded the Reserve Fund, but the expenditure will fall a good deal short of the grants.

It has been determined to appropriate a consolidated sum for Works of Public Improvement next year, equal to the grant of this year, with 1864-65.]

the addition of the Reserve Fund, or £2,618,000 in all; and to allot it among the different Governments and Administrations in about the same proportions as the original grant of this year. The sum for Civil Buildings and ordinary Military Works will be the same as last year, *i. e.*, £570,000 for the former and £650,000 for the latter.

The proportion of the three preceding grants assigned to the Bombay Presidency is £620,000. This is reported by the Governor in Council to be insufficient. The development of that part of India and the harbour and fortification works in progress undoubtedly require a large expenditure; but the works carried on at the same time ought to be kept 10 within such limits as will not violently disturb the labour market. "The price of all materials and labour has so greatly increased, that 60 lakhs of Rupees will not now do more than that which 30 or 40 lakhs would have effected three years ago."* From this it may be inferred what would be the consequence of a largely increased expenditure. All things 15 considered, the Governor General in Council has determined to increase the assignment for Public Works at Bombay by a special grant of £200,000. This will be irrespective of £204,330 estimated to be required in 1864-65 for Public Buildings at Bombay, balanced by a sum of £250,000 expected to be realized by the sale of lands on the Esplanade. 20

The sum appropriated this year for building new Barracks for the European Troops and for other special Military works is the same as last year, or £300,000. This will be divided among the Local Governments, including Bombay, according to their respective requirements.

The sum taken in the Budget Estimate for 1863-64 for Railway 25 supervision and cost of land was £182,500. This year it will amount to £309,500.

The loss by Railway Exchange in 1863-64 was estimated at £294,600. In 1864-65 it will be £256,900.

The one per cent. appropriated from the Income Tax in aid of Local 30 Works was at first roughly estimated at £380,000 a year. The continuance of this rate of advance would exceed the proportion applicable by law to the object; and, as the Act will expire soon after the termination of 1864-65, the appropriation for that year has been limited to £250,000, subject to a settlement of account after the tax shall have been fully 35 realized.

While, therefore, the aggregate grant for 1863-64 was £4,995,100, the grant for 1864-65 is £5,358,730, besides about £35,000 appropriated in the Educational Estimate for grants-in-aid of building schools, and £4,185,420 which will be advanced for the works of Railway and Irriga- 40 tion Companies, or £9,579,150 in all. All this is in addition to a further large sum which will be expended upon Works of Public Improvement from Local Funds. The details of the grant will be seen in one view in the Statement in the Appendix, page ii.

Under "Salaries and Expenses of Public Departments," the Budget 45 and Regular Estimates of 1863-64, and the Budget Estimate for 1864-65, are much the same. This arises from the care which is taken to reduce unnecessary offices, while others, suited to the wants of the time, are established.

* Letter from the Government of Bombay, to the Government of India, dated the 20th 50 February 1864.

Under "Law and Justice" there is an increase of £106,225 compared with the Budget, and of £175,611 compared with the Regular Estimate of 1863-64. This is caused by the appointment of additional Judges, and by the grant of increased salaries to the inferior Judges with a view to secure a more complete administration of justice.

Under "Police" there is a reduction of £62,754 compared with the Budget, and of £51,760 compared with the Regular Estimate of 1863-64. The beneficial effect of the revision of the Police expenditure, which has been for some time in progress, and of collecting under this head the charges for Treasury, Jail, and personal guards, which used to be scattered through the different Departmental Estimates, is very apparent. The Bombay Government has ordered the disbandment of the Guzerat Horse, the cost of which, amounting to £165,606 per annum, was included in the Police Estimate of that Presidency.

The grant for "Education, Science and Art" has been increased in reference to each of the Local Governments and Administrations, the aggregate grant for 1863-64 having been £461,600, and that for 1864-65 being £561,175. This is in addition to large appropriations from Local Funds and to School Fees, which last have been placed on an equal footing with local subscriptions as a basis for grants-in-aid. There is no subject to which the administrative freedom of the Local Governments is more applicable than that of Education. Instead of the Supreme Government jealously insisting on adherence to a particular code, the Local Governments are left to adapt the regulations to their respective wants. It is evident, from the general movement in this direction, that the time has arrived for extending education from the upper and middle classes to the body of the people;* and the impression is gaining ground that the last English improvement of the grant-in-aid system—the plan of paying by results—is even more applicable to India than to England. It furnishes a simple, elastic, intelligible rule, which is capable of easy adaptation to every circumstance, whether the difference be between the scholars in normal, and those in ordinary schools; between boys or girls; or between children in advanced or backward parts of the country. Care should be taken that the funds applicable to education are not bestowed upon institutions which are already self-supporting.

There is an increase, compared with the Budget Estimate of 1863-64, of £13,409 for "Political Agencies and other foreign Services," and a larger one, amounting to £71,597, under "Superannuation and Retired Allowances, and gratuities for charitable and other purposes." This last arises from the transfer of the Marine pensions to this head.

"Miscellaneous" and "Civil Contingencies," taken together, are less than the Budget Estimate of 1863-64 by £7,937.

Under "Interest" there is a reduction of £137,951 compared with the Actuals of 1862-63, and of £129,479 compared with the Budget

* In the North-Western Provinces and Madras a foundation has been laid of a really national system of Education; but the general position for the whole of India is, that we have succeeded in establishing a system of public instruction for the upper and middle classes, but have as yet made no impression upon the body of the people. Numerous examples, even in Christian countries, show that a high state of cultivation in the upper classes does not necessarily lead to the enlightenment of the lower.

Estimate of 1863-64. This is caused by the repayment of the sum lent by the Rajah of Cashmere during the mutiny; the cancelment of the Government Securities belonging to the Rebel Madhu Rao; and the purchase of Government Securities from the proceeds of the sale of Waste Lands and of lands belonging to Rebels. The average sum annually disbursed for the payment of interest has also been more accurately ascertained. 5

The net expenditure in England, amounting to £4,929,924, is £13,504 less than the actual expenditure of 1862-63; £417,376 less than the Budget Estimate of 1863-64; and £105,258 less than the Regular Estimate of 1863-64. This favorable result is chiefly due to an extensive payment of debt. 10

"Guaranteed Interest on Railway Capital less Net Traffic Receipts" is £1,622,916 in 1864-65 against £1,617,825 in 1863-64, or £5,091 more. While the guaranteed interest payable in England has increased from 15 £2,445,825 to £2,700,000, a set-off has been obtained by the increase in the Net Traffic Receipts in India from £828,000 to £1,077,084.

The total estimated expenditure for 1864-65 is £45,340,582, which shows the following increase :—

Compared with the actual expenditure of 1862-63	...	...	...	£2,024,175	20
" with the Budget Estimate of 1863-64	...	...	...	" 850,157	
" with the Regular Estimate of 1863-64	...	...	...	" 618,611	

I will now make such remarks as appear to be called for upon the Estimate of the Revenue for 1864-65.

I observed that in "Land Revenue" the increase in the current year 25 has been general throughout India, amounting to £572,100 compared with the Budget Estimate, and £710,853 compared with the actual receipts of 1862-63. I estimate the Land Revenue for 1864-65 at £20,265,000. This is £16,000 less than is expected to be realized according to the Regular Estimate in the current year. Considering the steady increase 30 of the Land Revenue for several years, and the stimulus which the prevailing high prices give to the extension of cultivation, this is a very moderate Estimate. The Land Revenue is justifying its old reputation as the staple of our financial system. Only one-third of the culturable area of India is cultivated; and, as it is evident that the prices of agricultural 35 produce cannot recede to their former level, the increase of cultivation, and, with it, if proper steps are taken, the accretion of the Government share of the rental, must go on for an indefinite time to come.

"Abkaree," in like manner, has shown a steady annual increase in spite of the falling off in some parts of India arising from the introduc- 40 tion of the Sudder Distillery System. The increase of the Budget over the Regular Estimate is £93,680. Effectual steps have been taken to remedy the defects of the Sudder Distillery System which led to a falling off in certain districts.

Under "Assessed Taxes" the Estimate for 1864-65 is £207,340 45 less than the Regular Estimate for the current year, which is chiefly owing to one-quarter of the full rate of four per cent. having been realized in the current year, whereas 1864-65 will be entirely at three per cent.

"Customs" are estimated at £13,140 less than the sum expected to 50 be realized in the current year according to the Regular Estimate. There

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is a falling off to the extent of £61,000 by the abolition of the Transit duties under the Treaty with Burmah; and, although a revival of the general trade may be expected in the course of next year, it is safer to take the Estimate on the supposition that trade will continue in the depressed state in which it has been for the last two years.

The Revenue from "Salt" is estimated at £5,442,510, against a Budget Estimate this year of £5,402,400, and a Regular Estimate of £5,278,300. This Revenue shows a general growth in all parts of India, and the local causes which led to its falling off in Bengal in the current year are passing away.

Last year the Pass duty was realized upon 51,228 chests of Malwa and Guzerat Opium, which was nearly the entire crop of the year. This year, at least 20,000 chests will be held over the expiration of the year, and must be added to 25,000 chests, which is the lowest Estimate that can be made of the Malwa Crop, and to 5,000 chests expected from Guzerat, making 50,000 chests in all. The produce of the Pass duty upon this number of chests is £3,000,000. As only 21,730 chests of Malwa and Guzerat Opium were sent forward to Bombay in eleven months of this year, against 48,454 chests in the same period of last year, or 26,724 chests less, the stocks in China must be low.

The number of chests to be brought to sale in Bengal in 1864-65 is 50,516. The lowest average rate per chest which was obtained at the period of the greatest scarcity of money in December last was Rs. 963. The average price at the five sales which have taken place since the depression in the money market commenced is Rs. 1,100. It is extremely improbable that, under any state of things that is likely to arise during the ensuing year, the average price will fall below Rs. 1,000 a chest, and I have, therefore, taken it at that amount. On 50,516 chests this gives £5,051,600.

The remaining £200,000 is the sum which will be credited to the Opium Revenue for 3,000 chests of Opium to be supplied to the Abkaree and Medical Departments during the ensuing year, and for the miscellaneous receipts of the Opium Department.

In a branch of Revenue which depends so much upon the state of the produce and money markets, there must, of course, be great uncertainty, and I have, therefore, framed my Estimate at the lowest rates admissible according to the facts before us.

"Stamps" have been taken at £12,070 more than is expected to be realized in the current year according to the Regular Estimate, which, considering the general activity in business throughout the country, and the consequently growing nature of this branch of Revenue, is less than may be expected to be realized.

Mint, Post Office and Electric Telegraph show a moderate but satisfactory increase. A large profit will be derived from an extensive coinage of Copper money. The convenience of the body of the people is more concerned in an abundant supply of Copper money for carrying on their countless small transactions than in a gold or paper currency.

The increase in the Public Works Receipts arises from £250,000 expected to be received from the sale of building allotments on the Esplanade at Bombay, against an estimated expenditure of £204,330 for new Public Buildings at that place.

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The increase of £88,400 over the Budget Estimate of 1863-64 under receipts from "Interest" is caused by additional investments of Currency Deposits, and the dividends upon additional shares held by the Government in the Banks of Madras and Bombay.

The total estimated Revenue is £46,163,870, which exceeds the Actual Receipts of 1862-63 by £1,020,118, and the Regular Estimate of 1863-64 by £1,410,370. 5

As the estimated expenditure for 1864-65 is £45,340,582, there is an estimated surplus for that year amounting to £823,288.

So far as it is possible to form a judgment of the future, I consider 10 this an assured surplus.

The ordinary sources of Revenue have steadily increased for several years, and have not been materially checked even by the late extraordinary embarrassments of the money market; and if this growth continues for another year, the Receipts will be carried much beyond the figures at which I have taken them. The receipts from Opium are at the lowest rate at which it was possible to estimate them. On a view of all the probabilities, the Estimate of the Government of Bengal, which was at the rate of Rs. 1,122 a chest, will be nearest the truth, but I have taken it only at Rs. 1,000 a chest. 20

On the other hand, the Estimates of expenditure are at a maximum, and in some important respects beyond a maximum. If the appropriation for Public Works, amounting to £4,995,100, which included a large sum for Local Funds, could not be spent in 1863-64, it is still less likely that £5,358,730, irrespective of Local Funds, 25 can be spent in 1864-65. At any rate, the ample provision which has been made for the ensuing year will prevent any extra demands. The Estimate for the rest of the expenditure has been taken on the basis of the full sanctioned scale for all fixed charges payable within the year, with an ample margin for contingencies. 30

At this point it becomes necessary to review our position.

The Income Tax will expire on the 31st July 1865. Its annual produce, at the present rate of three per cent., is estimated at £1,187,660. Of this £237,532 is applicable by law to Local Funds; and a further deduction of £46,513 has to be made for the cost of collecting the tax. 35 The remaining £903,615 forms part of our ordinary Ways and Means; and, in order to meet the annual charge, an equal sum must be forthcoming from some other source.

On the other hand, we have to provide for a large additional expenditure arising from two distinct causes. 40

The first of these is the great and general rise in prices and wages. This swells the expenditure through the Commissariat contracts; through the rates of compensation to the Native Troops for the dearness of provisions; through the enhanced cost of labour and material for every kind of work; through the demands made upon the Government for 45 an increase of the pay of entire bodies of Native Civil and Military servants to save them and their families from severe distress. Earnest endeavours are made to combine increased pay with diminished numbers and improved efficiency, but the augmented charge will, notwithstanding, be very heavy. We are in the midst of one of those social changes which 50 mark the progress of nations. A general increase of prices and wages

must be followed by a general elevation of the standard of the public expenditure.

The other cause is the strong and growing demand for improved administration. This could not be fully described without going the
5 round of the Public Departments; but I may particularly allude to the many different ways in which it is proposed to improve the condition of the European Troops, most of which are attended with great cost; to the admitted necessity for strengthening the Judicial system; to the urgent demand for a large expenditure for the improvement of the
10 Jails; and to the heavy liabilities before us connected with the sanitary reform which has been commenced. The annual expense of the Commissions which have been established for the three Presidencies is £20,000, which, of course, bears a small proportion to the cost of the work which has to be done. Some of these demands are of such a nature, that,
15 although they are certain to arise in the course of the year, the amount that will be required cannot be correctly estimated.

On both grounds, therefore—to be prepared for the expiration of the Income Tax in the early part of the following financial year, and to have the means of meeting demands for improved administration which cannot
20 be postponed—it is more than usually necessary to have a large available surplus of Income over Expenditure.

Our proceedings must also have reference to a state of things which has begun to show itself in an unmistakeable manner.

India was already rich in Indigo, Opium, Saltpetre, and other staples
25 of her export trade, when the demand arising from the Russian war gave a great stimulus to fibres and oil seeds, and the American war has since raised the inducement to cultivate cotton to an unprecedented height. But India has a great population to feed; and, as the breaking up of new land is a gradual process, the increased demand for exportable produce
30 could only be met by diverting to its production a large proportion of the land which had been previously employed in raising grain.

Simultaneously with this, Railways and Public Works have been prosecuted at the rate of ten millions sterling a year; whereby the industry of the people has been largely diverted from immediate produc-
35 tion to increasing future production.

Consumption has also been greatly stimulated by the abundant means placed at the disposal of the cultivators by high prices, and of the labourers on Railways and other Public Works by high wages.

The result of these combined causes is that there is a serious strain
40 upon the springs of society in some parts of India, like that which took place in Ireland in 1846 and in England in 1847, when such a large number of labourers were employed upon Public Works and Railways. The price of every description of produce, whether for exportation or home consumption, has gone up. Exporters complain that prices are often as
45 high here as in England. Consumers complain of the greatly enhanced cost of every necessary of life; and, as they have so much more to pay for the means of subsistence, they are obliged to stint themselves in every thing else. This is the true explanation of the continued stagnation in the demand for Manchester goods, notwithstanding that the native manu-
50 facture is still falling off. A man must feed himself and his family before he can buy clothes; and, at the present high prices of food, the body of
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the people, in several parts of India, are barely able to subsist. A fall in the price of Manchester goods would not have much influence in promoting their sale under such circumstances.

The effects upon the labour market are very striking. Although population is congested in some parts of India, there is, in others, a scarcity of labour. For a long time complaints have been received from several extensive provinces that the progress of public works and industrial undertakings is seriously impeded for want of labour. New Roads and Tea and Coffee Plantations are chiefly in thinly inhabited and unimproved parts of the country. Even if the population of India could be equally spread over the whole surface of the Continent, it may be doubted whether the supply of labour would, under present circumstances, meet all the calls that would be made upon it; but, as it is, the obstruction in several important districts is positive and decisive.

Owing to the suitability of the greater part of the Bombay Presidency for growing Cotton, this state of things is at its height there. An artificial famine has been created. The price of labour and materials has doubled, and Public Works are constructed at a greatly enhanced cost. The most serious symptom of all, however, is that the Government of India has been called upon to sanction a general increase in the pay of the public Establishments of the Bombay Presidency, with the certainty that, if the same causes continue, a similar necessity must soon arise for a further augmentation. On the one hand, we are urged to supply funds, without limit, for the prosecution of Public Works; and, on the other, we are told that the dearness of every necessary of life, which arises, in great degree, from this large expenditure, must be compensated by a corresponding increase of pay to the Public Establishments. The economical system is almost as much deranged in the Bombay Presidency as it was in Ireland in 1846-47. The rural population in that country was employed upon Public Works to an extent which threatened a disastrous neglect of the ordinary tillage, and 734,000 able-bodied men, representing, at a moderate estimate of the average extent of each family, upwards of 3,000,000 of persons were struck off the labour lists by successive instalments. We are moving at Bombay in the same circle; and we should take warning in time to avoid the necessity for having recourse to like strong remedies.

The most essential point of all is to observe some moderation in Public Works; to finish what we have begun; and not to crowd the work of several years into one. Works, which, when spread over a reasonable period, would be attended with general benefit, may, if they are all put forward at once, convulse society, and fail, after all, owing to their excessive cost, to attain the end intended.

Next to this, our object should be to remove, as far as possible, every obstruction to the freedom of trade, as was done in the analogous case at home. The great embarrassment of the trade of India, has always been the want of Imports to meet the vast quantity of exportable produce which the country is capable of sending forth. If we desire to relieve the trade of India, and to give free scope to its further extension, we should give all possible encouragement to her imports.

There will be found in the Appendix, pages ii to v, in illustration of these statements—

First.—A comparison of the exports of merchandise from India in 1840-41, 1841-42 and 1842-43, with those of the three subsequent decennial periods;

Secondly.—The Raw Cotton exported for the first eleven months of 1862-63 and 1863-64;

Thirdly.—The prices of grain in the Bombay Presidency from 1823 to 1863;

10 *Fourthly.*—Extract from a Report from the Collector of Khandeish, dated 18th September 1863; and

Fifthly.—Extract from a Report from the Commissioner of Police at Bombay, quoted in a letter from the Government of Bombay to the Government of India, dated the 30th January 1864.

15 Previously to 1859, the import duty was, as a general rule, five per cent. *ad valorem*. With the exception of certain specified articles, it is now ten per cent. The Governor General in Council has determined that this import duty of ten per cent. shall, after to-day, be reduced to seven and a half.

20 Tobacco is at present chargeable with a special import duty of twenty per cent. As foreign tobacco has to compete with the untaxed produce of this country, it has been determined to reduce the duty to ten per cent.

The loss of revenue arising from these reductions of duty will be balanced by increased receipts from another source. Of the Piece Goods
25 and Yarns imported into India, about five-eighths were included in the Table of Valuations published in November 1860, while the *ad valorem* rate continued to be assessed on the current market price of the remaining three-eighths. Since that, the price of all these goods has greatly increased; and the consequence is, that the owners of one portion of them
30 pay the full duty and the others less than one-half. In order to remove this inequality, the valuation will be re-adjusted to the prevailing prices, with a liberal allowance for a possible fall.

The estimated surplus, amounting to £823,288, will not be diminished by these arrangements, and the whole of it will be held to meet
35 the exigencies of 1864-65 and 1865-66, including the expiration of the Income Tax on the 31st of July of the last mentioned year.

But, after all, it is impossible that all the wants of this great Continent, according to the continually rising standard of the public requirements, can be provided for out of the Imperial Revenue. Local agency
40 and local resources, which are as multifarious as they are inexhaustible, must be increasingly drawn upon; and the Imperial expenditure must be gradually confined to such objects as are of common interest to the whole of India. The growth of habits of self-government is to be sought for in the same direction. It is time that the people of this country
45 should cease to be helplessly dependent upon the Government, and should learn, by the example and aid of their English fellow-subjects, to raise and spend their own money in maintaining the Roads, improving the sanitary state of the Towns, assisting Education, and promoting every other object of local interest.

50 A commencement was made by Lord Canning's Government towards reducing this part of the public Income and Expenditure to order, which 1864-65.]

was followed up last year by directing that an annual Local Fund Estimate should be prepared by each Government and Administration, according to the same rules as the Budget Estimate of public Income and Expenditure, except that the balance at the end of each year was to be carried on to the next; and that an annual Account of the expenditure should be rendered under the same heads; and it was again explained that the object in requiring this Estimate and Account was, not to exercise any interference with the expenditure of funds which were entirely at the disposal of the Local Governments, but merely that the Government of India should be kept informed of the progress of the income and expenditure for financial and other general purposes. Some receipts and payments, which had been improperly included in Local Funds, have been re-credited to Revenue and Charge; while others, to a much larger amount, have been finally transferred to Local Funds. Of this last description are the Tolls upon the Nuddea Rivers and Calcutta Canals, the Tolls taken at Ferries upon Imperial Roads, the Receipts connected with Travellers' Bungalows, and the *jalkar* or Revenue derived from the Fisheries in Bengal. A balance of Local Fund receipts due to the Government of Bombay, amounting to £94,508, has been paid, as a similar balance, amounting to £58,700, was last year to the Government of Bengal. They have both been made specially applicable to the construction of Railway Feeders.

The following is an Abstract of the Local Funds Estimate for 1864-65 :—

	Estimated Balance on the 30th of April 1864.	ESTIMATES OF 1864-65.		Estimated Balance on the 30th of April 1865.	
		Receipts.	Charges.		
	£	£	£	£	
Bengal	459,785	471,796	556,116	375,465	30
British Burmah	99,176	58,049	46,776	110,449	
North-Western Provinces	276,670	443,175	430,000	289,845	
Oudh	97,520	107,600	105,000	100,120	
Madras	72,598	93,375	122,373	43,600	
Central Provinces	49,800	76,560	80,289	46,071	35
Berar	71,917	79,691	89,857	61,751	
Bombay	371,089	359,132	347,601	382,620	
Punjab	97,186	180,378	208,052	69,512	
Government of India	132,908	48,262	20,091	161,079	
TOTAL ...	1,728,649	1,918,018	2,006,155	1,640,512	40

The large unexpended balances arise from the same cause which checks the expenditure of the Budget grant for Public Works: that is, the difficulty of extemporising professional agency.

One item of receipt, arising from the appropriation of 20 per cent. of the Income Tax to local objects, will, of course, cease with the Tax itself.

A large sum is derived from the cesses in the shape of a percentage upon the Land Revenue, which are levied in the North-Western Provinces, the Punjab, and some other parts of India, for the maintenance of the Roads and for Education.

Municipal Receipts form another increasing item. The mode of raising the Municipal Funds depends, of course, upon the Municipalities. In

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the Punjab and North-West the favorite mode is by an Octroi or Town duty. Such duties were formerly levied on behalf of the Government, and were abolished thirty years ago in the wake of the Transit duties, because they interfered with the free course of the general trade through the principal marts. Since their re-introduction in the shape of a municipal tax, the same symptoms have re-appeared. The principle that Town duties are a tax on the consumption of the Towns for whose benefit they are levied, and that they should, on no account, be extended to any article belonging to the transit or general trade, ought to be jealously guarded.

The other items of Receipt are Educational and Charitable endowments, Tolls on Roads, Ferries, and Canals; Cantonment and Bazar Funds; Port Funds; Proceeds of houses and lands which have been transferred to Municipal Bodies; and others too numerous to be described.

As it is impossible that a complete view of the Finances of India can be given without including that portion of the public funds which is locally administered, it is desirable that the Local Fund Estimate and Account should, in future, be appended to the Budget Statement. This year, all that it has been possible to do, has been to call attention to the existence of this Supplementary Budget, and to furnish a rough general Estimate.

Last year I announced that the Government had finally withdrawn from the manufacture of Salt in Bengal. The great increase in the export trade of India has caused extremely low rates of freight from England, and this has resulted in cargoes of Cheshire Salt being delivered at Calcutta at unprecedentedly low prices. In pursuance of the plan which has been so successful at Madras, a siding is to be made from the Calcutta Terminus of the East Indian Railway into the Salt Depôt at Sulkea, so that the Salt may be laden at once upon the trucks for transmission into the interior.

Owing to the low prevailing market price, the sales from the Government stock of Salt, in the current year, actual and estimated, are only 12,34,678 maunds compared with 19,13,978 in 1862-63. The remaining stock belonging to the Government is estimated to amount, at the close of the present financial year, to 67,88,622 maunds or 249,378 tons. The necessity of disposing of this large stock of Salt, both in the interests of the trade and of the Government, has been generally admitted; and, in order that merchants, knowing, beforehand, when the Government sales are to take place, and to what extent on each occasion may make their arrangements accordingly, it has been publicly notified that fifteen lakhs of maunds, or 55,10½ tons, are, after a full year's notice, to be sold to the highest bidder in 1865, in such proportions and at such times as may be most convenient to the trade, and the remainder in the following years at the rate of 20 lakhs of maunds, or 73,469 tons, in each year.

I also said that the foundation of a sound financial system, on the English model, had been laid broad and deep by my predecessors, and that what remained was to extend the application of these principles through the whole field of Income and Expenditure, so as to remould the entire system into one consistent whole. This work has since been in progress in different quarters.

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The Military Finance Department has been consolidated with the Military Secretary's Office as its Account Branch. The Public Works System of Account and Audit has been fully enquired into, and every practicable improvement will be made. The English plan of Office organization, which combines annual increase of pay within each class, 5 with promotion by merit from class to class, and proper securities for the admission only of qualified candidates, has been introduced into the Financial, Military, and Public Works Departments. The Police Establishment of the North-Western Provinces and the North-West Frontier Preventive Line have been investigated by Colonel Bruce, who is now 10 engaged on an inquiry into the Bengal Police; and the subordinate Civil Establishments of the Bombay Presidency have been ordered to be revised by the ablest Officers who can be selected for the purpose, with immediate reference to two principles—

1st.—To ascertain by a careful scrutiny, how far the work itself is 15 capable of being simplified and curtailed, by omitting duplicate and unnecessary processes, consolidating official forms, and, generally, by expediting and abbreviating the transaction of business; and

2nd.—To ascertain what is the smallest number of persons by whom the work can be properly done after it has been so revised; what rates 20 of pay are necessary to secure the services of competent persons; and what arrangements should be made in order that the public may have the benefit of a selection of the best candidates for employment.

Steps have been taken to give effect to the recommendations contained in the valuable Report of the Commission of Inquiry into the 25 Commissariat, and a Committee has been appointed to investigate and report upon the entire Subordinate Establishment, European and Native, of the Commissariat, and to propose such measures for its reorganization as may appear to them best adapted to promote the efficient and economical administration of the Department. 30

The East Indian Railway, in the economical management of which the financial interests of the Government are as much concerned as in that of any Public Establishment, has been carefully investigated in all that relates to its system of Account and Audit by Mr. G. N. Taylor, who was afterwards deputed to conduct a similar inquiry into the Great 35 Indian Peninsula and Bombay and Baroda Railways. Mr. Taylor's recommendations have been cordially accepted by the Directors and Officers of the East Indian Railway, and great practical improvements have been made.

The most important work of all is the revision of the general system 40 of Account and Audit. The existing system was established by the East India Company on the good old, mercantile, double entry principle, but it has since been overlaid and confused by a variety of obsolete entries, irrecoverable Balances, and, above all, by a vast number of complicated and unnecessary inter-presidential and inter-departmental 45 advances and re-payments. In the course of the past year, the main principles, whereby regularity and exactness have been established in the Accounts of Her Majesty's Government, have been introduced into the Indian Accounts; such as the rule that the Estimates shall be taken for expenditure coming in course of payment within the year, and that 50 everything shall be debited or credited to the Accounts of the year in

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which the amount is received or paid; that the gross receipts shall be credited to Revenue and the gross expenditure shall be debited to Charge; that expenditure shall be provided for, *as a final charge*, in the Estimates of the Department responsible for the general head of Service, and so
 5 forth. The good effect of this has already appeared in the increased uniformity and correctness with which the Estimates now submitted have been prepared. The two Financial Officers who were deputed to India by Her Majesty's Government are now making a searching investigation into all the details of the system of Account and Audit, and it
 10 may be hoped that, on the receipt of their Report, the last finish will be put to the reform of our financial machinery, which has now been for several years in progress.

I have alluded to the commercial crisis through which the country has passed only so far as the finances have been affected by it. The
 15 Government Note Currency has stood the trial in a very satisfactory manner. So completely is its identity in value with silver established in people's minds, that, even at the time of the greatest scarcity of coin at Bombay, Rupees continued to be sent to the Currency Department to be exchanged for Notes. The general stock of specie has been
 20 economised by the investment in Government Securities of £3,000,000 of deposits on a Note circulation of £5,350,000. Arrangements are in progress for the formation of three new Currency Circles,—one for the North-Western Provinces and Oudh, another for the Punjab, and the third for the Central Provinces. The introduction of a gold currency
 25 has been recommended by the Chambers of Commerce of Calcutta and Bombay, and the subject will occupy the serious attention of this Government in communication with the Secretary of State. The difficulties are great, but there can be no doubt of the advantages of the measure if it can be satisfactorily effected. It would bind together
 30 England, Australia, and India in a triangular trade of a highly beneficial kind. The manufactured goods exported from England to Australia, would be paid for by sovereigns sent to India to pay for Indian produce exported to England; and the convulsive efforts by which gold is periodically abstracted from the Bank of England, to sweep the Continent
 35 of silver for transmission to India, would be sensibly mitigated. The depreciation of gold would be arrested by bringing to bear upon it the power which India has of absorbing the precious metals; and, besides the advantage of a convenient currency suited to the increasing wealth of this country, the chronic embarrassment of the Indian trade arising from
 40 the great excess of the exports over the imports, would, as far as possible, be diminished by the firm establishment of an article of import of which there is an unlimited supply, and for which there would be an unlimited demand.

APPENDICES.

Cash Balances in India.

	1860-61.	1861-62.	1862-63.	1863-64.	Average of four years.
	£	£	£	£	£
May ...	17,115,259	15,030,024	18,462,707	17,840,603	17,112,148
June ...	17,197,399	16,530,046	19,659,526	18,341,401	17,932,093
July ...	16,202,431	16,238,214	19,451,935	17,069,267	17,240,462
August ...	14,880,527	15,528,186	18,222,267	15,712,584	16,085,891
September ...	14,026,772	15,192,756	17,266,458	14,502,773	15,247,190
October ...	12,375,159	14,267,702	15,949,937	13,199,490	13,948,072
November ...	12,090,638	15,345,554	16,848,980	13,508,186	14,448,339
December ...	12,522,587	17,073,811	18,333,634	14,928,581	15,714,653
January ...	12,679,274	18,615,403	19,746,715	14,615,979	16,414,343
February ...	12,807,994	18,225,524	19,548,399	14,041,466	16,155,846
March ...	13,545,926	17,584,550	18,504,139		16,544,572
April ...	14,286,918	17,787,678	17,874,383		16,649,660
Average of the 12 months	14,144,240	16,451,621	18,322,423		
Average of the 10 months	.....	.....	.....	15,376,033	
Average of the 46 months	.....	.....	.....	.....	16,103,907

Average of three years.

Grants for Public Works.

	1863-64.	1864-65.
	£	£
Works of Public Improvement ...	2,618,000	2,618,000
Additional Grant to Bombay ...	.....	200,000
Grant for Public Buildings at Bombay ...	.....	204,330
Twenty per cent. appropriated from the Income Tax ..	380,000	250,000
Civil Buildings ...	570,000	570,000
Ordinary Military Works ...	650,000	650,000
Extraordinary Military Works ...	300,000	300,000
Railway supervision and cost of Land ...	182,500	309,500
Loss by Railway Exchange ...	294,600	256,900
	<u>£4,995,100</u>	<u>£5,358,730</u>

Exports of Merchandise from British India in 1840-41, 1841-42, and 1842-43, and in the two subsequent corresponding decennial periods.

Equal to an average of—

£				
1840-41	...	...	13,455,584	} £ 13,610,842
1841-42	...	...	13,825,217	
1842-43	...	...	13,531,824	
TOTAL			£ 40,832,625	

£				
1850-51	...	...	18,164,149	} £ 19,502,645
1851-52	...	...	19,879,253	
1852-53	...	...	20,464,633	
TOTAL			£ 58,508,035	

£				
1860-61	...	...	32,977,173	} £ 38,750,577
1861-62	...	...	33,585,128	
1862-63	...	...	47,689,431	
TOTAL			£ 116,251,732	

Raw Cotton exported from Calcutta, Madras, and Bombay in eleven months, from the beginning of May to the end of March, in 1862-63 and 1863-64.

	1862-63.		1863-64.	
	Quantity.	Value.	Quantity.	Value.
	Cwt.	£	Cwt.	£
Calcutta	363,854	1,399,110	401,663	2,152,128
Madras	506,785	2,143,400	597,995	4,103,000
Bombay	3,010,563	13,256,807	3,325,463	25,177,690
	3,881,202	16,799,317	4,325,121	31,432,818

NOTE.—The Return from Madras for March 1864 does not include the exports from the out-ports.

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Prices of Grain in the Bombay Presidency from 1823 to 1863.

The following Table for the District of Ahmednuggur is given as a fair average of the prices of grain in the Bombay Presidency since 1823 :—

AHMEDNUGGUR.

Names of Articles.	1823.	1823.	1833.	1838.	1844.	1849.	1854.	1859.	Prices during the preceding years.		Average for 3 years 1860-62.	1863.
	Tolas per Rupee.	Tolas per Rupee.	Tolas per Rupee.	Tolas per Rupee.	Tolas per Rupee.	Tolas per Rupee.	Tolas per Rupee.	Tolas per Rupee.	Tolas per Rupee.		Tolas per Rupee.	Tolas per Rupee.
									Max. cost.	Min. cost.		
Rice ...	912	1,026	900	908	1,170	1,140	1,080	810	912	1,170	760	660
Wheat ...	2,679	1,738	1,510	3,278	2,820	2,850	2,190	2,670	1,510	3,278	1,700	1,080
Bajree ...	4,161	3,021	2,024	3,076	3,240	4,020	2,340	3,240	2,024	4,161	2,120	1,080
Jowaree ...	5,358	4,161	2,536	4,788	4,140	5,430	2,880	3,960	2,536	5,430	2,760	1,260
Gram ...	3,306	2,862	2,850	3,392	3,300	3,270	2,250	2,760	2,250	3,392	1,140	1,170
Doll, Toor ...	2,650	2,024	2,337	2,337	2,580	3,060	1,740	2,700	1,740	3,060	1,760	630
Doll, Mussoor ...	2,138	1,710	1,710	1,824	...	...	...	1,560	1,710	2,138	1,560	810
Moong ...	4,218	2,337	1,432	2,430	2,550	4,890	2,430	3,660	1,432	4,890	2,210	870

KHUNDALLA;
The 25th Nov. 1863. }

R. H. SHOWELL,
Secy. to the Commission for Inquiry into Prices, &c.

Mr. Hart, the Revenue Commissioner, reports the prices of grain in the markets of the Cotton District of Dharwar on the 1st of December last to have been as underneath, and he remarks of them that they "must render it impossible for Sépoys and other persons who have to subsist on low money salaries, even with the addition of the established compensation given in consideration of the high price of grain, to provide sufficient food, to say nothing of clothing for themselves and their families."

NAMES OF GRAIN.						Number of Tolas (or Rupees' Weight) sold for One Rupee.
Bajree ...	...	...	...	...	...	568
Jowaree ...	...	...	...	...	...	595
Rice, 1st sort	...	...	...	...	...	286
Rice, 2nd sort	...	...	...	...	...	525
Wheat	...	...	...	...	...	542
Moong ...	...	...	...	...	...	580
Gram ...	...	...	...	...	...	536
Toor, Doll	...	...	...	...	...	474
Ooreed ...	...	...	...	...	...	679
Mussoor, Doll	...	...	...	...	...	378
Cooltee ...	...	...	...	...	...	740

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Extract from a letter from L. R. ASHBURNER, Esq., Collector of Khandeish, to B. H. ELLIS, Esq., Revenue Commr., N. D.,—dated 18th September 1863.

The wages of unskilled labour twenty years ago were two annas per diem, or Rs. 3-12-0 per mensem. Agricultural labour, in districts at a distance from large towns and stations, was usually paid in grain, and perhaps a turban or a pair of shoes at the Dewali. The services of an unskilled field labourer could then have been obtained for about Rs. 24 per annum. These prices continued till about twelve years ago, when the operations of the Railway Companies began to affect the labour market. From that time the wages of labour have steadily increased, and unskilled labourers now receive from 4 to 7 annas per diem, or from Rs. 7-2-0 to 13-2-0 per month. There are many causes in operation to have produced this change. The construction of Railways and other Public Works created a demand for labour, and withdrew a large body of labourers from the production of the necessaries of life. It, at the same time, threw a large amount of wealth into the hands of the lower orders, who had not yet acquired a taste for the luxuries or secondary wants of life; they spent all their money in food, and what are usually considered the necessaries of life; the prices of these articles began to rise, and then came the American War, which raised the price of cotton and linseed. The cultivation of grain was abandoned for the more profitable crops, and the prices of food rose still higher.

Extract from a Report from the Commissioner of Police at Bombay, quoted in a letter from the Government of Bombay to the Government of India, dated the 30th of January 1864.

“The common labourer of Bombay, and a Callassie of ordinary ability in the Harbour, in whom intelligence is not generally deemed to be a desideratum, is able, I beg to state, to earn daily, the former from 6 to 7 annas a day, or more than Rs. 11 per mensem, and the latter 8 annas a day; or Rs. 15 per mensem.”

General Abstract Statement of the Revenues and Charges

REVENUES AND RECEIPTS.				Actuals, 1861-62.	Actuals, 1862-63.	Budget Estimate, 1863-64.	Regular Estimate, 1863-64.	Budget Estimate, 1864-65.
				£	£	£	£	£
Land	...	...	...	19,684,670	19,570,147	19,708,900	20,281,000	20,265,000
Forest	...	...	...	460,728	520,580	250,000	291,900	320,150
Abkarea	...	...	..	1,786,157	1,951,080	1,839,300	1,994,000	2,087,680
Assessed Taxes	...	...	...	2,054,696	1,882,212	1,306,200	1,395,000	1,187,660
Customs	...	...	...	2,876,139	2,464,366	2,339,600	2,324,200	2,311,060
Salt	...	...	...	4,563,081	5,244,150	5,402,490	5,278,300	5,442,510
Opium	...	...	...	6,359,269	8,055,476	8,000,000	6,850,000	8,200,000
Stamps	...	...	...	1,693,217	1,489,638	1,523,600	1,732,200	1,744,270
Mint	...	...	...	380,735	371,116	350,000	390,000	428,500
Post Office	...	...	...	402,135	425,528	430,000	430,000	485,440
Electric Telegraph	...	...	...	73,452	75,525	85,000	85,000	103,450
Law and Justice and Police	...	...	...	511,513	494,842	680,200	737,000	660,740
Marine	...	...	...	155,723	189,046	350,000	350,000	350,000
Public Works	...	...	..	588,858	443,553	600,000	349,300	617,610
Tributes and Contributions	...	...	...	780,162	725,763	744,000	744,000	741,900
Miscellaneous, Civil	...	...	...	468,500	404,057	450,000	710,000	375,200
„ Military	...	...	...	956,219	802,309	822,000	696,600	661,300
Interest	...	...	...	34,218	34,364	90,000	115,000	178,400
				43,829,472				
Deficit	...	...	...	50,628				
£				43,880,100	45,143,752	44,971,200	44,753,500	46,163,870

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of India, for four years from 1861-62 to 1864-65.

EXPENDITURE.	Actuals, 1861-62.	Actuals, 1862-63.	Budget Estimate, 1863-64.	Regular Estimate, 1863-64.	Budget Estimate, 1864-65.
	£	£	£	£	£
Allowances, Refunds, and Draw- backs	341,538	342,066	267,600	315,300	287,640
Land Revenue, Forest and Abkaree ...	2,030,489	2,076,970	2,365,932	2,340,900	2,611,350
Assessed Taxes	121,043	72,676	51,890	45,200	46,513
Customs	243,547	178,706	250,770	179,500	174,753
Salt	646,931	501,411	280,425	336,900	330,797
Opium	1,449,465	1,856,278	2,000,700	2,109,400	2,254,161
Stamps	68,268	98,097	96,950	99,500	98,864
Mint	106,688	180,723	146,296	182,800	236,165
Post Office	481,328	481,196	520,000	515,400	492,495
Electric Telegraph	358,223	352,689	341,200	335,100	335,978
Allowances and Assignments under Treaties and Engagements ...	1,640,466	1,735,663	1,754,590	1,714,900	1,704,132
Allowances to District and Village Offi- cers	599,682	568,046	548,200	577,200	588,681
Miscellaneous	20,742	26,581	49,103	43,700	45,216
Contingencies, special and temporary ...	.....	9,783	7,900	11,000	1,218
Army	13,631,900	12,764,325	12,614,972	12,765,281	12,653,189
Marine charges	686,193	744,590	306,856	551,200	538,780
Public Works, including 1 per cent. Income Tax Fund and Loss by Exchange on Railway Transac- tions	4,742,183	4,400,632	4,995,100	5,158,575	5,358,730
Salaries and Expenses of Public Depart- ments	1,106,749	1,091,936	1,185,587	1,172,300	1,187,265
Law and Justice	1,951,217	20,74,146	2,248,086	2,178,700	2,354,311
Police	2,163,163	2,141,269	2,421,294	2,410,300	2,358,540
Education, Science, and Art	342,593	400,361	461,600	502,300	561,175
Political Agencies and other foreign services	210,670	241,515	213,398	188,800	226,807
Superannuation and Retired Allow- ances and Gratuities for charitable and other purposes	703,297	740,896	725,167	741,500	796,764
Miscellaneous	209,702	265,405	254,426	278,500	279,289
Civil Contingencies	204,782	103,165	74,000	141,200	41,200
Interest	3,131,897	3,351,680	3,343,208	3,245,000	3,213,729
Expenditure in India	37,245,756	36,800,805	37,525,300	38,140,456	38,787,742
Net Expenditure in England	5,209,264	4,943,428	5,347,300	5,085,182	4,929,924
Guaranteed Interest on Railway Capital less Net Traffic Receipts	1,425,080	1,572,174	1,617,825	1,546,933	1,622,916
Total Expenditure ... ..	.....	43,316,407	44,490,425	44,721,971	45,340,582
Surplus including Railways ... ..	.....	1,827,345	480,775	31,529	823,288
£	43,880,100	45,143,752	44,971,200	44,753,500	46,163,870

Home Charges in 1864-65.

DEBT.			£	£.
Dividends to Proprietors of East India Stock	...	...	629,970	
Interest on Loans contracted in England	...	...	1,242,317	
TOTAL DIVIDENDS AND INTEREST			.....	1,872,287
CIVIL.				
Charges General, Home Establishments, &c.	...	...	176,000	
Amount payable under the Postal arrangement	...	...	52,000	
Red Sea and India Telegraph—Charge to India	...	...	18,000	
Persian Gulf Telegraph Cable	...	...	7,000	
Mission to the Court of Persia—Charge to India	...	...	12,000	
Her Majesty's Establishments in China—Charge to India	...	...	15,000	
Miscellaneous, including India Office, site and building	...	...	246,825	
Pensions and Retired Allowances, viz.—				
Civil Pensions, including late St. Helena Establishment	...	...	242,000	
Annuities of the Madras Civil Fund of 1818	...	...	4,800	
Furlough and Absentee Allowances	...	...	84,000	
TOTAL CIVIL CHARGES			...	857,625
MILITARY.				
<i>Effective Charges.</i>				
Imperial Government for Troops serving in India	...	729,900		
Ditto on account of cost of education of Officers and Cadets	...	9,412		
Passage of Troops	...	99,900		
Do. and Outfit of Officers	...	39,200		
Furlough Allowances	...	175,000		
TOTAL EFFECTIVE CHARGES			1,053,412	
<i>Non-Effective Charges.</i>				
Imperial Government for Troops serving in India	...	255,600		
Retired Pay, including Colonels' Allowances	...	780,000		
Pensions, Lord Clive's Fund	...	114,000		
TOTAL NON-EFFECTIVE CHARGES			1,149,600	
TOTAL MILITARY CHARGES			.....	2,203,012
MARINE.				
Pensions and Retired Allowances, Indian Navy and Bengal Pilot Service	...	...	45,000	
Furlough Absentee Allowances	...	...	2,000	
TOTAL MARINE CHARGES			.....	47,000
TOTAL CHARGES IN ENGLAND			.....	4,979,924
<i>Deduct—</i>				
Miscellaneous Home Receipts	...	...	.....	50,000
NET EXPENDITURE IN ENGLAND			.....	£4,929,924

FINANCIAL STATEMENT

BY

THE HONORABLE SIR C. E. TREVELYAN, K. C. B.

APRIL 1st 1865.

In the Budget Statement for 1863-64, the surplus of Income over Expenditure was estimated at £480,775, which was afterwards reduced in the Regular Estimate to £31,529. The actual surplus is £78,347.

The Revenue of 1863-64 was £44,613,032, which was only £358,168 less than the Budget Estimate, although "Opium" was deficient in the large sum of £1,168,001. The increase under "Land," "Forest," "Abkaree," "Assessed Taxes," "Customs," and "Stamps," amounted to £1,303,435. The only one of the ordinary sources of Revenue which fell short of the Estimate besides "Opium" was "Salt." The deficiency under this head amounted to £366,704. It chiefly occurred in Bengal, 10 and was caused by the previously over-stocked state of the market.

The Expenditure amounted to £44,534,685, which was £44,260 more than the Budget Estimate. The principal heads of increase were £305,793, Advances for "Opium," arising from the higher rate of payment to the cultivator upon an increased crop; "Indian Navy and Marine," £260,699, caused by unexpected delay in making the reductions which had been determined upon; and £380,423 for additional grants for "Public Works." On the other hand, "Law and Justice" was £127,450, "Police" £120,812, "Interest" £249,958, and "Net Expenditure in England" £569,670 less than the Budget Estimate. 20

I now proceed to what is called the Regular Estimate of the current year 1864-65, which is founded in general upon the actual Receipts and Expenditure of eight months, and upon an Estimate of the remaining four.

"Land Revenue" shows a decrease of £170,200 compared with the 25 Budget Estimate, and of £208,623 compared with the Actual Receipts of 1863-64, caused by the deficiency in the fall of rain in the North-West Provinces and Oudh, by the inundation in the Masulipatam District, and by diminished sales of Khas Mehals in Bengal.

In "Forest" there is an increase of £35,980 compared with the 30 Budget Estimate, and of £51,687 compared with the Actual Receipts of 1863-64.

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In "Abkaree" there is an increase of £185,270 over the Budget Estimate, and of £212,680 over the Actual Receipts of 1863-64. As it cannot be alleged, in the present state of the Abkaree Administration, that undue encouragement is given to drinking, this large increase furnishes satisfactory evidence of the improved circumstances of the people.

"Salt" and "Stamps" also show satisfactory increase. Salt is £181,740 better than the Budget Estimate, and £588,554 more than the Actual Receipts of 1863-64; while Stamps are £167,870 in excess of the Budget Estimate, and £176,924 above the Actual Receipts of 1863-64.

10 In "Assessed Taxes" there is an increase of £48,830 compared with the Budget Estimate, and a decrease of £247,132, arising from the reduction of the rate from 4 to 3 per cent., compared with the Actual Receipts of 1863-64.

"Customs" are £55,590 less than the Budget Estimate, and £128,591 less than the Actual Receipts of 1863-64. This can only be accounted for by the continued depression of the import trade, from which the greater part of the Customs Revenue is derived. Sufficient time has not elapsed to see the full effect of the relief afforded last year by the reduction of the ten per cent. duty upon unenumerated articles to seven and a half per cent.

The state of the "Opium" Revenue and Expenditure requires particular notice. By adhering too long to an insufficient rate of payment to the Ryots, the Opium produced in the Bengal agencies was reduced in 1859-60 to 21,427 chests, and the sale price was raised to Rs. 1,846 a chest, which must soon have caused an increased production of the drug in China and other countries. The payment to the Ryots was then increased to Rs. 3-8, Rs. 4, and at last, in one step, to Rs. 5 a seer, and the cultivation was extended to districts where an inferior Opium is obtained at an increased cost. The consequences were not fully realized till 1864-65, when this high rate of payment concurring with an unusually favorable season, the crop unexpectedly mounted to 64,269 chests. The effect of this has been injurious in two ways. Extra grants, to the amount of £644,300, have had to be made to complete the settlement with the Ryots for 1863-64, and the price at the Calcutta sales has been reduced below what it has been for many years, whereby the export of Opium from Malwa and Guzerat has been also checked.

Taking charges and receipts together, the net Opium Revenue of the two years 1863-64 and 1864-65 is less than that of the two preceding years by £1,777,217, the charges having increased by £1,708,590, and the receipts having fallen off by £68,627. The figures are as follows, viz. :—

	1861-62.	1862-63.	First two years.	1863-64.	1864-65.	Last two years.	
REVENUE	£6,359,270	£8,055,476	£14,414,746	£6,831,999	£7,514,120	£14,346,119	
CHARGES	£1,449,466	£1,856,278	£ 3,305,743	£2,306,493	£2,707,840	£ 5,014,333	
45 NET REVENUE	£4,909,805	£6,199,198	£11,109,003	£4,525,506	£4,806,280	£ 9,331,786	
							Worse in last two years.
50 REVENUE	...	...	£ 14,414,746	...	...	£14,346,119	£ 68,627
CHARGES	...	...	£ 3,305,743	...	...	£ 5,014,333	£1,708,590
			RESULT			£ 9,331,786	£1,777,217

The Budget Estimate anticipated under "Opium," from Bengal £5,200,000, and from Bombay £3,000,000, together £8,200,000. Owing 1865-66.]

to the large increase of the quantity for sale, the Bengal Estimate will probably be realized, but in consequence of the prevailing low prices, passes have not been taken out at Indore and Ahmedabad to the extent expected, and the general result is an estimated deficiency of £685,880.

The receipts under the remaining heads accrue under no fixed rules, but vary with the circumstances of the year. They show an increase of £412,216 compared with the Budget Estimate, and of £543,454 compared with the Actual Receipts of 1863-64. The decrease under "Post Office" is attributable to the abolition of the bullock train, against which there is a reduction in the charges. The increase under "Law and Justice and Police" of £55,730 is due to a transfer from "Tributes and Contributions" to "Police," and to increased collections of fees. The decrease under "Marine" is caused by an over-estimate made in the absence of any detailed Estimate. The increase in "Public Works" is due to the large sum received from the sale of building sites at Bombay. The increase of £117,776 under "Miscellaneous Civil" arises from the transfer of the balance of the Bhonsla Fund to Revenue, after deducting £30,849, invested with a view to disconnect the Government from certain permanent religious endowments. The pensions chargeable on this Fund much exceeded the annual proceeds, and the excess was paid out of Revenue. The whole of the pensions have now been charged against Revenue, and the Fund has ceased to exist. The increase under "Interest" is caused by increased investments of the Currency Department, and the dividends upon additional shares in the Banks of Madras and Bombay.

The Revenues and Receipts of the year, including "Opium," are £120,236 more than the Budget Estimate, and £1,671,074 more than the Actual Receipts of 1863-64. Excluding "Opium," there is an increase in Revenues and Receipts compared with the Budget Estimate of £806,116, and of £988,953 compared with the Actual Receipts of 1863-64.

To proceed to the estimated expenditure of the current year 1864-65: the increase of £15,597 under "Customs" arises from recent revisions of establishments at Calcutta and Bombay, whereby the collection of the Revenue at those ports has been placed on a more efficient footing.

The increase under "Salt," £30,943, is caused by higher rates for the purchase and transport of Salt for Malabar, and by increased manufacture in consequence of the large quantity of Salt destroyed in the Krishna District by the late inundation.

The increase under "Opium," £453,679 is for the additional advances, amounting to £644,300, already referred to as having been made on account of the preceding year 1863-64, less a saving of £190,621 upon the ordinary expenditure of 1864-65. Compared with the Actual Expenditure of 1863-64, the increase is £401,347.

The decrease of £97,825 under "Mint" arises from a more correct method of exhibiting the copper received for minting purposes from England. Copper for coinage is now treated in a similar manner to bullion, the Mint profit only being carried to the credit of Revenue, and the copper itself while uncoined remaining as a part of the Cash Balance at its intrinsic value.

The saving of £76,185 under "Post Office" is caused by the abolition of the Government Bullock Train; and the increase of £39,022 under

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"Electric Telegraph" is owing to a payment to the East Indian Railway Company for the construction of a line from Burdwan to Patna in 1856, and to arrear charges of 1863-64 paid during the current year, for which no provision was made in the Budget Estimate.

5 The principal causes of the large increase in Army Expenditure, estimated at £674,571, are as follows:—

	For increased price of Europeans' rations, compensation to Native Troops for dearness of provisions, and increased cost of feeding horses and keeping and hiring transport animals	272,500
10	Substitution of full for half batta, increased pay to Medical Officers, and compensation for extra clothing to European Troops	100,000
	Purchase and repair of barrack furniture: gas fittings for extra lighting, and increased cost of bedding	57,500
15	Additional bounty and kit money to men re-engaging, compensation for losses of property, appointments, messes, &c.	30,000
	Increased consumption of beer consequent on the diminution of the "ration of rum"	35,000
20	Additional Sea Transport Charges for sending Home two extra Regiments of Infantry and two Batteries and Head Quarters of a Brigade of Horse Artillery, and an additional number of time-expired men	85,000
	Retention of Regiments after they were expected to be disbanded or to return Home	50,000
25	Additional charges connected with the Bhootan War	160,000

On the other hand, there is a saving of £16,000 for reduced expenditure on rum and arrack, and reduction of Pay Offices at Madras, besides further savings from short establishments and minor reductions.

30 Compared with 1863-64, the increase in the Military Expenditure is £630,691.

The aggregate grant for "Public Works," including £204,330 charged on the Rampart Removal Fund at Bombay, £250,000 appropriated from the Income Tax, and £566,400 for State expenditure for Railways, amounted to £5,358,730. The actual expenditure is now 35 estimated at £5,685,817, being an increase of £327,087. This increase arises from additional grants, of which the following are the principal:—

		£
	Arrear of compensation at Madras for lands taken for public purposes ...	25,31½
40	Improvement of the Jails in Bengal and the Central Provinces, and works at the Convict Settlement at Port Blair	51,860
	Roads in connection with Railways in Bengal and the Hyderabad Assigned Districts	63,630
	Repair of damages caused by the cyclone	80,000
	Completion of the new Opium Godown at Calcutta	15,000
45	Additional grants to Bombay for the completion of works in progress ...	100,000
	Additional grant for works charged on the Rampart Removal Fund ...	27,227
	The cost of stores from England is now estimated to be in excess of the original Estimate by	46,890
50	On the other hand, there is a saving under the heads of Railway supervision and cost of land of	6,700
	And Railway loss by exchange	77,874

the last of which arises from diminished Capital expenditure and increased Traffic receipts.

55 Compared with the actual expenditure of 1863-64, the increase in the Public Works charges is £310,294.

"Salaries and Expenses of Public Departments," "Law and Justice," and "Police," show an aggregate saving of £74,766.

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The increase of £24,605 under "Education, Science, and Art" chiefly arises at Bombay. Compared with the actual expenditure of 1863-64, there is an increase on the total expenditure for education of £143,924.

The increase of £165,966 under "Superannuation and Retired Allowances and Gratuities for charitable and other purposes," in the Regular Estimate of 1864-65, arises from the omission in the Bombay Budget Estimate of the donations to the Service Funds for the year 1863-64.

The increase of £88,031 under "Miscellaneous and Civil Contingencies" is caused by expenditure arising out of the late calamity at Masulipatam, increased charges on remittance of treasure, loss on the withdrawal from circulation of clipped coin in the Punjab, and loss on the sale to the Currency Department of a portion of the Government Promissory Notes purchased out of the surplus Cash Balances in 1863. The interest saved by the purchase of this portion of the securities was larger than the apparent loss of capital by £6,420. Compared with the actual expenditure of 1863-64 there is a diminished charge of £42,930.

The saving of £83,229 in "Interest" arises from too small a deduction having been made in respect of unclaimed dividends.

"Guaranteed interest on Railway Capital, less net Traffic Receipts," shows a saving of £234,500, arising from an increase of £246,583 in the net Traffic Receipts of the current year beyond the sum assumed in the Budget Estimate. Compared with the actual expenditure of 1863-64, the saving is £280,867. Considering the great extent of Railway which has lately been opened, and the rapid growth of the traffic, there is reason to believe that this charge reached its maximum last year, and that it will henceforth steadily diminish. There is a further considerable reduction in the Budget Estimate.

According to the Regular Estimate, the net increase of expenditure compared with the Budget Estimate amounts to £1,287,667. Somewhat less than half of this excess is additional Military expenditure caused by the increase of prices, the Bhootan War, and improvements of various kinds which have been made in favor of Officers and men, and the remainder may be said to have been invested in Opium and Public Works.

The Budget Estimate for 1864-65 assumed a surplus of Income over Expenditure of £823,288. According to the Regular Estimate, there will be a deficit of £344,143, being a difference against the Budget Estimate of £1,167,431, which is composed, as already explained, of—

Increase of Revenues and Receipts	...	...	better	£ 120,236
Increase of Expenditure	...	...	worse	£1,287,667
Difference	...	...	worse	£1,167,431

45 ,

According to the Estimate of Cash Balances attached to the Budget Estimate of 1864-65, the amount in the Indian Treasuries on the 30th of April 1865 should have been £13,819,697. According to the corresponding Statement attached to the Regular Estimate, it will be

x

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£10,979,859, or £2,839,338 less. This large difference arises from the following causes :—

1st.—From the Cash Balance at the commencement of the financial year 1864-65 having been taken on 22nd March 1865 £1,901,822 below the amount at which it had been estimated on the 7th April 1864. Of this difference of £1,901,822, only £87,784 was caused by variations in the Revenues and Charges.

2nd.—From variations between the Receipts and Disbursements in the cash transactions of the Indian Treasuries, as stated on the 7th April 1864, and on the 22nd March 1865, viz. :—

	Receipts increased from £60,264,097 to £61,070,842,	
	increase	£ 806,745
	Disbursements increased from £60,978,234 to £62,722,995,	
	increase	£1,744,761
15	Difference	<u>£ 938,016</u>

£1,901,822 + £938,016 = £2,839,838.

The only investments which have been made out of the Cash Balances in 1864-65 are £174,000 for the Government share of the increased capital of the Banks of Bengal and Bombay, and £80,000 for paying off Treasury Notes belonging to the Suitors' funds of the Recorder's Courts in the Straits Settlements. On the other hand, the balances have been strengthened by the transfer to the Currency Department of a portion of the Government securities which were purchased in the beginning of 1863 by the disbursement of a million sterling out of the Cash Balances, when they amounted to upwards of £19,000,000. The amount so obtained at the date the Regular Estimate was closed was £535,000, and the proceeds of the remainder, £405,660, will be paid into the Treasury in 1864-65. This increases the balance on the 30th April to that extent. As the interest is credited to the Government and the remaining deposits are more than sufficient to meet every possible demand of the Currency Department, this is practically a permanent loan without interest.

The revision of the Cash Balances alluded to in my last Financial Statement has been completed, and it has become apparent that, by properly limiting the sums to be retained in the District Treasuries, the public expenditure may be carried on with a smaller aggregate balance than has heretofore been considered necessary. This result is due in a great degree to the progress of Railways, and as Gold and Paper take the place of Silver in the Currency, it will be more fully attained. Besides diminishing the stock of specie in circulation and depriving the public of the use of a portion of its assets, high cash balances have a tendency to relax the motives to economy on the part of public servants, and to encourage others to depend upon the Government for assistance when they ought to help themselves. The English practice of confining the cash balances to what is really necessary to work the expenditure, and, if more money is wanted, of raising it by taxation or loan, is preferable to the old Indian practice, copied from the Native States, of keeping indefinite hoards under the name of cash balances.

I shall now proceed to the Estimate of the expenditure for 1865-66.

The reduction of £44,680 under "Allowances, Refunds, and Drawbacks" is chiefly due to the expiration of the Income Tax, the refunds connected with which are always large.

The expenditure under "Land Revenue, Forest, and Abkaree" has been constantly on the increase since 1861-62, when it amounted only to £2,030,489. Last year a Circular was issued calling attention to the necessity for keeping this expenditure under strict control, but there is, nevertheless, a further increase of £129,290 compared with the Budget Estimate for 1864-65. This is caused by the growth of the temporary establishments required for the active prosecution of the Land Revenue Settlement, and by the increased allowances consequent upon the rise of wages and prices. There has also been a further increase of expenditure for the organization of the Forest Establishments.

The increase of £15,907 under "Customs" is caused, as already explained, by the revision of the Establishments at Calcutta and Bombay.

Under "Salt" there is an increased expenditure of £42,555 compared with 1863-64, and of £16,823 compared with the Budget Estimate, while there is a decrease of £14,120 compared with the Regular Estimate of 1864-65. It will be remembered that in the Regular Estimate for the current year, some extraordinary expenditure was provided for under this head which is not likely to recur.

The large reduction in the Opium expenditure, amounting to £351,693 compared with 1863-64, and £753,040 compared with the Regular Estimate of 1864-65, is caused by a diminution both in the quantity of Opium to be provided, and in the rate of payment for it, which will be more fully explained under Revenue.

The decrease of £28,702 under "Mint" compared with 1863-64, and of £102,685 compared with the Budget Estimate of 1864-65, is caused by the more correct mode of exhibiting the copper received for coinage from England, which has been explained in connection with the Regular Estimate.

Under "Post Office" the decrease of £71,181 compared with 1863-64, and of £61,005 as compared with the Budget Estimate of 1864-65, is caused by the abolition of the Bullock Train. The increase of £15,180 compared with the Regular Estimate arises partly from numerous revisions of Establishment to improve the efficiency of the Post Office service, and partly from the necessity which has arisen for increasing rates of pay and contract allowances owing to dearness of provisions. The Post Office Establishments were, from their nature, more immediately affected by these changes, and the re-adjustment has been made with a careful attention to economy.

The increase of £56,150 under "Electric Telegraph" is caused by the additional expenditure connected with the Indo-European line.

Under "Allowances and Assignments under Treaties and Engagements," the reduction of £38,435 compared with 1863-64, and of £21,232 compared with the Budget Estimate of 1864-65, chiefly arises from the lapse of the pension of £15,000 a year received by the late Nawab of Tonk, and from commutations and lapses of pensions in Tanjore and the Carnatic.

Under "Allowances to District and Village Officers," there is a reduction of £41,229 compared with 1863-64, and of £44,821 compared

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with the Budget Estimate of 1864-65, arising from the commutation of allowances in Bombay, and the separate provision which has been made by legislation for Village Officers at Madras.

There is an increase under "Miscellaneous" of £72,634 compared with 1863-64 and of £53,666 compared with the Budget Estimate of 1864-65, arising chiefly from the re-organization of the District Post Establishments and their transfer to this head from "Land Revenue, Forest, and Abkaree." Land purchased for revenue buildings has also been ordered to be charged under this head.

I stated that there was an increase of Military expenditure in the Regular Estimate over the Budget Estimate of 1864-65 of £674,571. In the Budget Estimate of 1865-66 there is a further increase of £426,800 making the increase upon the Budget of last year £1,101,371. The increase compared with the actual expenditure of 1863-64 is £1,057,491. The greater part of the expense of the Bhootan War is included under the several heads of the ordinary grant, and another £100,000 has been added for extraordinaries.

Since the beginning of last year, the following reductions of Military Force have been made :—

The East India Regiment.

Four Regiments of Madras Native Infantry.

Two Regiments of British Infantry transferred to the Home Establishment.

Reductions of Artillery, equal to seven European and three Native Batteries.

Five Troops of the Mahratta Horse.

At any previous time, such a reduction of Military Force as this would have had a sensible effect in decreasing the expenditure of the Army, but such has been the increase of prices and wages, that the entire result has disappeared in the great increase which has taken place in the cost of the remainder of the Force. A comparative statement of the Military Budget Estimates for 1864-65 and 1865-66 will be found in the Appendix, together with an explanation of the causes of increase. These are substantially the same as those contained in my remarks on the Regular Estimate.

As the expenditure of the Indian Army defrayed in England for 1865-66 is estimated at £2,883,872, the total cost of the Army in the same year will be £16,638,432. The incidental receipts are estimated at £850,000, and the net cost will, therefore, be £15,788,432.

The estimate for the cost of the British Army for 1864-65 was £14,844,888; the estimated incidental receipts, £1,324,442; and the net cost, £13,520,446.

The settlement of the grant for Public Works has engaged the anxious attention of the Government. Excluding the State expenditure for guaranteed enterprise, the grants for Public Works since 1859-60 have amounted to about £27,012,000. To this has to be added £1,046,016 from the twenty per cent. appropriated from the Income Tax in aid of Local Funds, and the additional sums annually expended from the independent income of those funds, which may be estimated at £760,000 a year. The total amount transferred from circulating to fixed capital in these six years, and invested in administrative buildings, 1865-66.]

roads, irrigation and other works intended to promote the productiveness and good government of the country, cannot, therefore, be much less than £33,000,000.

Of these £33,000,000, about £11,907,995 has been expended in the two years 1863-64 and 1864-65, *i. e.*,

	£.	
Original and additional grants from public revenue ...	9,175,000	
From Local Funds ...	2,135,615	
From the one per cent. appropriated from the Income Tax in aid of Local Funds	597,380	
TOTAL ...	£11,907,995	10

The whole amount which has been appropriated in aid of Local Works from the Income Tax during the five years of its incidence is £1,500,000, or at the rate of £300,000 a year. This will now cease, and Local Funds will have to meet the demands upon them without further assistance from the public revenue. - 15

The Civil expenditure for Public Works for 1865-66 has been fixed as follows on the basis of the original appropriation of last year, excluding the extra grants made in the course of the year :—

	£	
Civil Buildings ...	650,000	20
Works of Public Improvement ...	2,000,000	
Establishments ...	800,000	
TOTAL ...	£3,450,000	

Divided among all the Local Governments and Administrations, this sum will barely suffice, at the present prices of labor and materials, to provide for the most urgent wants of this great Continent. The proportion available for works of irrigation may be estimated, at the outside, at £500,000, but half of this is required for the maintenance of the existing works in every part of British India upon which the due realization of the Land Revenue depends. The annual sum remaining available for new works of irrigation is, therefore, only £250,000, which is not sufficient even to complete, within a reasonable period, the great works which have been already commenced. 30

This grant has been carefully allotted among the different Local Governments, and is to be regarded as final. The practice of making additional grants in the course of the year is to be discontinued, except under circumstances of a really extraordinary nature; and all urgent wants not provided for in the Budget Estimate will, therefore, have to be met by re-appropriation from other works which can be postponed. The sums assigned for Civil Buildings, Works of Public Improvement, and Establishments, are liable to variation at the discretion of the Local Governments, provided the total amount allotted to each Government is not exceeded. 40

The paramount necessity of providing the Barracks required for the health of the European Troops and the works of defence upon which the public security in some degree depends, has long been admitted, but the preliminary arrangements have only lately been completed. The total outlay will, probably, not be much less than £10,000,000, including the

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cost of Establishments; and the work is obviously one which ought to be carried on as fast as the requisite preparations can be made. The expenditure on this account for 1865-66 is estimated at £1,000,000, after which it will proceed at an increased rate until the object has been accomplished.

The other sums required for the service of the year 1865-66 under the head of Public Works are;—

		£
10	For the ordinary repairs of military buildings ...	250,000
	Public Works at Bombay charged on the proceeds of the sales of land at that place ...	700,000
	Twenty per cent. appropriated from the Income Tax ...	110,000
	Railway supervision and cost of land ...	207,425
	Loss by Railway exchange ...	171,215

15 The total amount required under every head of Public Works for 1865-66 is, therefore, £5,888,640, which is £529,910 more than the Budget for 1864-65, and £202,823 more than the Regular Estimate. The increase is caused by the addition of £400,000 for new Military Works, including the due proportion of Establishments, of £495,670 for Public Works at Bombay charged on the local sales of land, of £70,000 for Civil Buildings, and £10,000 for Establishments. On the other hand, Railway supervision is less by £102,075, the sum appropriated from the Income Tax, by £140,000, loss by Railway exchange, by £85,685, and Works of Public Improvement, by £118,000.

25 Whatever may be the general objections to providing for any portion of the public expenditure by means of loans, it is evident that the large sums which will be required for some years to come for Military Works cannot be furnished from the revenue of the year, in addition to all the other demands upon it, without an increase of taxation, which would interfere with the prosperity of the country, and that it would not, therefore, be right to impose on the existing generation the entire charge for works which are intended for the public service for all time to come. This principle has been acted upon in the parallel case of the Dock-yard fortifications in England. The argument applies with increased force to 35 new works for irrigation, which, properly managed, include their own sinking fund; and in reference to these it has been determined by Her Majesty's Government that "when the surplus revenues and available balances prove insufficient to supply the requirements of the country, funds by means of loans shall be raised." It will be proposed to the 40 Secretary of State that relief should be afforded to the revenue of 1865-66 to the extent of £1,200,000, which will be raised by loan in England, and the drafts upon India will be *pro tanto* diminished. The portion of the grant for public works to be provided for from the revenue of the year 1865-66 will, therefore, be £4,688,640, which will be £670,090 less 45 than the Budget Estimate, and £997,177 less than the Regular Estimate of 1864-65.

"Salaries and Expenses of Public Departments" shows an increase of £74,109 compared with 1863-64, and of £44,295 compared with the Budget Estimate of 1864-65. The chief causes of increase are the 50 creation of seven new Currency Circles, the revival of the Office of Financial Commissioner in Oudh, the appointment of a new Deputy Auditor and Accountant General for British Burmah, the additional cost 1865-66.]

incurred on the revision of the Secretariats in the Military and Public Works Departments, and the increased charges for the Legislative Members of Council.

Under "Law and Justice" there is an increase of £379,424 compared with 1863-64, and of £145,749 compared with the Budget Estimate of 1864-65. Of this large increase, £140,740 arises from the increased cost of clothing and provisioning prisoners in jails and the additions which have been made to the salaries of the establishments. The difference is due to the new establishments employed under the recent Act for the Registration of Assurances. 10

There is an increase under "Police" of £142,108 compared with 1863-64, and of £95,350 compared with the Regular Estimate of 1864-65, of which £50,000 occurs in Bengal, £40,000 in Madras, £16,000 in the Berars, and £7,000 in the Central Provinces, while there is a decrease of £5,700 on account of the abolition of the Office of Inspector General 15 of Police.

The grant for Education is £622,210, which is £180,354 more than the actual expenditure of 1863-64, and £61,035 more than the Budget Estimate of 1864-65. It will be seen from the progressive increase of this grant from £342,593 in 1861-62 to £622,210 in 1865-66, that the 20 means of promoting national education have not been stinted. The public grants for this purpose are also largely supplemented by local funds derived from school fees and subscriptions, and in some provinces from percentages on the Land Revenue. I cannot help rejoicing when I contrast this liberal support of education with the single annual lakh of 25 Rupees, or £10,000, which it was once my privilege to administer in concert with Lord Macaulay, Sir Edward Ryan, and other early friends of Native Education.

The Estimate for "Superannuation and Retired Allowances" is £119,752 more than the actual expenditure of 1863-64, and £150,760 30 less than the Regular Estimate of 1864-65. These variations mainly arise from the assimilation of the mode of adjusting the service donations to that in use as regards the other portions of the debt. While the charge on this account for 1863-64 was carried forward to 1864-65, the arrears, which amounted to nearly an equal sum, were shown against the revenue 35 of 1863-64. The larger sum in the Regular Estimate of 1864-65 arises from the fact that the amount transferred included the triennial adjustment. The estimate for 1865-66 includes the normal charge on this account.

Under "Miscellaneous and Civil Contingencies," there is a decrease, 40 compared with 1863-64, of £139,850, which is caused by the accounts of 1863-64 having included £75,000 for the investment made in favor of Madhao Rao, by a diminution in the expenditure for the Governor General's tour, and loss by exchange. The reduction of £96,920 compared with the Regular Estimate for 1864-65 chiefly arises from the 45 latter having been swollen by the expenditure caused by the calamity at Masulipatam.

There is an increased charge under "Interest" of £108,570 compared with 1863-64, and of £71,320 compared with the Regular Estimate of 1864-65. This is the result of a calculation embracing a great 50 variety of items. The chief causes of increase are larger balances of [1865-66.

the service and other funds, and the charge for interest on the Promissory Notes transferred to the Currency Department.

The "net expenditure in England" amounts to £5,483,390, which is £705,760 more than 1863-64, £553,466 more than the Budget Estimate of 1864-65, and £593,354 more than the Regular Estimate of the same year. This large increase of expenditure is caused by a new charge of £750,000 for the construction of vessels for the transport of Troops to India.

"Guaranteed Interest on Railway Capital, less net Traffic Receipts," is estimated £1,234,000 against £1,388,416 in 1864-65, or £154,416 less. The guaranteed interest payable in England has increased by only £154,000, while the net traffic receipts in India are expected to increase by £276,333.

The total estimated expenditure for 1865-66 is £47,186,930, which shows the following increases:—

Compared with the actual expenditure of 1863-64	...	£2,652,245
" " Budget Estimate of 1864-65	...	£1,846,348
" " Regular Estimate	...	£558,681

I will now make such remarks as may be necessary on the estimate of the revenue of 1865-66.

It is proposed to take the estimate of "Land Revenue" at £20,208,190. This is £95,233 less than was actually received in 1863-64, which included £280,000 from the sale of Khas Mehals in Bengal against an estimated receipt of £80,000 in 1865-66. On the other hand, it is £113,390 more than the estimated receipts of 1864-65; but these last were diminished by the inundation at Madras and the partial failure of the rains in the North-West Provinces.

The estimated receipts from "Forest" are £383,000, being £78,557 more than the receipts in 1863-64. This is a smaller increase than may be expected from the arrangements which have been made for the more perfect organization of the Forest Department.

"Abkaree" is estimated at £2,335,320, which is only £62,370 more than is expected to be received in the current year. The rate of increase in previous years has been much larger.

Under "Assessed Taxes" the estimate is taken for the last quarter of the Income Tax, which expires by law on the 31st of July next. The sum expected to be received is £551,140, which includes a considerable amount of arrears.

The estimate for the "Customs" Revenue shows a decrease of £192,781 compared with 1863-64, and of £64,190 compared with the Regular Estimate of 1864-65. This allows for a loss of £40,000 in consequence of the reduction of the duty upon Saltpetre from two Rupees to one Rupee a maund, and assumes the continuance of the depressed state of the import trade. It may be hoped that the result will not justify this expectation.

The "Salt" Revenue is estimated at £5,782,880, which is £747,184 more than the receipts of 1863-64, and £158,630 more than the amount expected to be received in the current year. This estimate is fully justified by the previous growth of this branch of revenue, by the additional facilities for the conveyance of Salt into the interior, by the improved 1865-66.]

preventive arrangements in several provinces, and by an estimated increase of £70,000 expected to be realized by an additional duty of four annas a maund in the Bombay Presidency.

In estimating the "Opium" Revenue for the current year, the point of immediate importance is the quantity of Opium likely to be brought to sale at Calcutta. This is expected to be 59,513 chests, *i. e.*, two-thirds of the last crop, which amounted to 64,269 chests, and one-third of the crop of the current year, which is estimated at 50,000 chests.

But the means which have been taken to regulate the future production of Opium in Bengal must not be left out of sight. It has been determined that the price to be paid to the Ryots shall be reduced from Rs. 5 to Rs. 4-8 a seer; that the cultivation in the Benares Agency shall be diminished until the average yield bears the same proportion to that of the Patna Agency as it bore in 1859-60, when the selling prices of the two kinds of Opium were nearly equal; and that 45,000 chests shall be the standard provision from the two Agencies in future years. Taken in connection with the constantly increasing demand in China, and the check which has been given to the growth of Native Opium there, by the increased importations of the superior Indian produce, these arrangements to limit the quantity in Bengal cannot fail to exercise a favourable influence upon the sales towards the close of the next financial year, and it may be hoped that in the following years they will secure as near an approach to a maximum net receipt as can be expected from so variable a branch of revenue.

The average price at the last three sales has been Rs. 841 per chest, and after giving due weight to the preceding considerations, it has been determined to take the Estimate for Bengal Opium at Rs. 850 per chest. Adding to this £165,000 for Miscellaneous and Abkaree Revenue, the Estimate for Bengal will amount to £5,223,600.

Malwa Opium has a separate field of consumption in China, and its price is only partially influenced by the price of Bengal Opium. After a full consideration of all the circumstances, it has not been considered advisable to reduce the Pass Duty upon Malwa Opium. The Estimate for 1865-66 has been taken at £2,500,000, which assumes that Passes will be taken out for 41,666 chests.

The entire Opium Estimate will, therefore, be £7,723,600, which is £476,400 less than the last Budget Estimate, and £209,480 more than the Regular Estimate.

The increase in the Stamp Revenue of 1863-64 over that of 1862-63 is £245,578. The estimated increase in the present year over 1863-64 is £176,924. It is proposed to take the Stamp Revenue for 1865-66 at £2,058,500, which is an estimated increase of £146,360 over the present year.

"Mint," "Post Office," and "Electric Telegraph" are estimated each at a moderate increase over the Regular Estimate of the current year.

The receipts under "Law, Justice and Police" are estimated at £132,320 more than is expected to be realized in the current year. This increase arises from the anticipated receipts under the new Registration Act, additional contributions from Municipal funds for Police, and from a general increase in the receipts from Judicial Fees.

The Estimate for Public Works Receipts has been taken at £1,000,000, which is £16,650 less than is expected to be received according to the Regular Estimate of the current year. It is supposed that the increased Water rates in Northern India will yield an additional £50,000. Great uncertainty prevails as to the amount likely to be realized from land sales at Bombay within the year 1865-66. According to the best information that can be obtained, it has been estimated at £498,350, which falls short of the corresponding receipts in the Regular Estimate of 1864-65 by £66,650.

10 The increase of £150,000 under "Miscellaneous, Military," is the result of the measures which have been taken to dispose of useless Ordnance stores.

The increased receipts under "Interest" arise from a larger sum having been invested in the Currency Department and from dividends on 15 a larger number of Bank Shares.

The total estimated revenue is £46,488,760, which exceeds the actual receipts of 1863-64 by £1,875,732, the Budget Estimate of 1864-65 by £324,890, and the Regular Estimate of the same year by £204,654. To the sum of £46,488,760, the estimated income of the year, has to 20 be added the £1,200,000, which it has been determined to borrow for Military and Irrigation Works in aid of the ways and means of the year, making the total receipts £47,688,760.

As the estimated expenditure is £47,186,930, there will be a surplus of £501,830. ~~2440~~

25 The Estimate of expenditure for next year has been taken on a liberal scale even according to the increased rates of prices and wages; and if the Bhútan War soon comes to a close, there ought, with proper economy, to be a considerable saving in the large army grant.

30 The Estimate of receipts only assumes the normal increase of the ordinary branches of revenue, whereas something more than this has begun to appear. The vast expenditure of late years upon railways, roads, and other works auxiliary to production has begun to bear fruit, especially in reference to the remarkable increase of bulky exportable produce.

35 Even in a strictly financial view, the guaranteed Railway system is showing decided symptoms of improvement. The Opium revenue has also passed its crisis and may be more relied upon than heretofore. Every item which could be open to question has been excluded from the Estimate. For instance, in order to simplify and clear the accounts, the

40 Government has determined that the ordinary deposits in the Treasuries shall, after a certain period, be carried to the public credit, subject to their being repaid out of revenue whenever a claim is established to them. Under this head I was entitled to the benefit of large sums which must sooner or later be passed through the Budget Balance Sheet, which is 45 the great profit and loss account of the Empire; but as it might have been objected that, although properly credited to revenue, this action upon the deposits will not bring a Rupee into the Treasuries which is not already there, the change has been postponed to a time when it will not be open to misconstruction. Neither has the more substantial resource 50 of the purchase money of the 24-Pergunnahs and Jessore Sunderbuns been taken credit for.

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It is true that the ways and means of the year are, to the extent of £1,200,000, composed of borrowed money. But this loan has nothing in common with the shifts and expedients of insolvent or embarrassed States. It is the result of a discriminating policy which confines taxation to its just objects, and provides by loan for reproductive works and for works of every kind which are on such a scale as would too severely strain the resources of a single generation. The best employment of money is that which the industrial classes make of their annual savings for their own sake, and it is no real advantage to the community to interfere seriously with this natural process and to cause general harassment and discontent in order to accelerate the execution of public works. Even if the condition of the finances were all that could be desired, it would still be expedient to limit taxation to the proper business of Government, and to provide for reproductive works by means of specially appropriated funds.

One item of receipt will not recur. The remaining quarter's Income Tax, including arrears and deducting the charge of collection and the twenty per cent. appropriated to Local Funds, amounts to £421,750. If this were struck out of the Budget of 1865-66, there would still be a small surplus. If things remain the same, there will still be this surplus in 1866-67.

It is proposed to make a moderate addition to the estimated surplus of £501,830 by having recourse to a class of taxes which, when they have been imposed with proper reserve, have always proved a valuable resource of Indian finance.

The old policy of the East India Company was to levy low rates of duty both upon exports and imports. However contrary this practice may have been to some received maxims of political economy, it was suited to the circumstances of the country, for, owing partly to the abundance and richness of the productions of India, and partly to the simple habits of the people, the exports of merchandize have always greatly exceeded the imports, and our Indian exports have in general such a hold upon foreign markets that they can bear some duty without being seriously checked.

This policy has of late years been departed from to a certain extent. Under the financial pressure caused by the mutiny, the 5 per cent. import duties were raised to 10 per cent., and in some cases to 20 per cent., but they were last year reduced to $7\frac{1}{2}$ per cent., while the year before the duty upon iron was rendered nominal. On the other hand, the duty upon several staples of the export trade was entirely remitted in 1860, with the exception of the duty upon Saltpetre, which was raised to a rate inconsistent with the prosperity of the trade, and it has lately been reduced by one-half.

So far as India possesses the monopoly of the foreign market, or a decided superiority over all other countries taken together, an export duty must be paid by the consumer. So far as exported articles are met by an effective competition in the foreign market, the duty must be paid by the producer. But there never was a time when Indian producers were so well able to bear a moderate charge. While the assessment of the Land Revenue has been diminished, the price of agricultural produce has risen, and persons of every class connected with the cultivation of

the land enjoy unusual prosperity. It must also be borne in mind that the heaviest expenditure in public works is for the construction of roads to facilitate the conveyance of exportable commodities to the coast. The Tea and Coffee districts have, besides, to be provided with almost every thing which constitutes the outfit of a civilised administration.

Jute, Wool, Tea, and Coffee were placed on the free list in 1860, previously to which they were subjected to the normal duty of 3 per cent. charged on unenumerated articles. The increase which has taken place in their production, and the high prices which they have commanded for exportation during the last few years, show that any reduction of price which might be caused by a moderate duty would in no way discourage the cultivation. Jute when manufactured into Gunny Bags and other articles is charged an export duty of 3 per cent., and the manufacture of the country is, thereby, placed at a disadvantage in any market where it may be brought into competition with similar articles manufactured in England.

The annual value of the exports of these four articles has increased since 1860-61 as follows :—

	1860-61.	1861-62.	1862-63.	1863-64.
	£	£	£	£
Jute	409,283	571,736	811,108	1,598,084
Wool	473,544	862,672	1,477,214	1,511,644
Tea	101,693	131,314	179,613	222,035
Coffee	249,095	402,994	426,489	518,768

It is proposed to extend to these articles the normal export duty of three per cent., which may be expected to yield £130,000 a year.

Hides, Sugar, and Silk have not increased in the same proportion, but they would, nevertheless, bear a low rate of duty without any discouragement to the trade. It is proposed to subject them to a duty of two per cent., which will yield about £60,000 a year.

The export duty on grain was increased in 1860 from half an anna to two annas a maund. Much the most important article under this head is Rice. Although India has no monopoly of its production, she provides the largest portion of the supply for foreign markets; and the climate and soil of large tracts are so congenial to its cultivation, that it is grown under great advantages, and would easily bear another anna a maund. The value of the exports has increased in each of the last five years as follows :—

	£
1859-60	2,265,656
1860-61	2,938,876
1861-62	3,285,894
1862-63	3,320,923
1863-64	3,936,709

It is proposed to raise the export duty on rice and other grains from two annas to three annas a maund, which is expected to give an additional £140,000.

The total estimated increase of revenue from these duties is £330,000, whereby the estimated surplus will be raised to £831,830.

1865-66.]

On the other hand, it is proposed to reduce the import duty upon hops from $7\frac{1}{2}$ to one per cent. This is necessary in order to place the produce of the Indian Breweries on an equal footing with the beer imported from England, which is liable only to the nominal duty of one anna a gallon. The loss of revenue will be about £1,000.

The Income Tax, which, to use Mr. Wilson's words, "was passed for a limited period with a view to the present emergency," will expire on the day appointed by law—the 31st of July next. As a potent but imperfect fiscal machine, it should be regarded as the great financial reserve of the country; and it will now be laid on the shelf complete in all its gear, ready to be reimposed in case of any new emergency.

The Income Tax was passed for five years from July 31st 1860 at the rate of two per cent. upon Incomes between Rs. 200 and Rs. 500 a year, and of four per cent. upon Incomes above Rs. 500; and of this last mentioned four per cent., one per cent. was appropriated to Roads, Canals, or other reproductive works. The assessment was to be an annual one; but, before the first year had expired, an Act was passed, authorizing the Governor General in Council to continue the original assessments for another year. In May 1862 this power was extended to the remaining three years, and the limit of exemption was raised from Rs. 200 to Rs. 500. From the 31st of July 1863 the rate of four per cent. was reduced to three. The original assessment has become obsolete in every sense. Persons deriving their income from salaries and the Funds pay the full three per cent., but the assessments made five years ago, which were originally insufficient and unequal, have become much more so by the great increase of wealth and by the change in the circumstances of individuals during the interval.

The gross amount that will be realized from the Income Tax in five years will be £8,008,127, and the cost of the Establishments employed in collecting it will be £366,160, or, at the average rate of about $4\frac{1}{2}$ per cent., leaving £7,641,967 as the net proceeds of the Tax. The sum appropriated to local works will be £1,500,000, so that the benefit to the general Revenue from the Income Tax will be about £6,141,967. Debt to a much larger amount than this has been paid off at home and in India within the last three years. I have followed the usual course in taking the cost of the Tax at the expense of the machinery actually employed in collecting it; but in order to estimate the real cost, the work it caused to the different Governments, Secretariats, Army, and Police, the printing, translating, telegraphing, stationery, and all the other incidents of the tax, should be included.

Holding the position I do, it will, of course, be expected that I should express my opinion on our present financial position.

India is prospering beyond all former precedent. The Ryot has become emancipated from the money lender, and has something to spare for the indulgence of his tastes and the improvement of his cultivation. Wages are rising throughout India, while, at some of the Ports they have attained almost to European rates. Mercantile gains, especially in the west of India, have been as large as they are liberally spent in charitable, ornamental, and reproductive works. The great and decisive change has also begun to appear that the Natives, from the Parsee and Marwaree Millionaires down to the Ryots and small Traders,

bring forward their savings for investment instead of hoarding them. India has entered upon a course of industrial activity, and there has been for some time a remarkable absence even of the disquieting rumors which used to fill up the intervals of actual hostilities.

5 We stand at the commencement of an economical and social revolution which is pregnant with the most important results. In its bearing upon the people, the benefit seems to be almost without qualification, but in reference to the Government, the matter has a double aspect. The increase of prices has passed like a wave over the whole of India, and
10 has penetrated its remotest recesses. It has become necessary to give compensation to the Military Force in most parts of India, extending in many cases even to fire-wood for the men and forage for the horses. The compensation for a single Native Cavalry Regiment at Dharwar was at the rate of upwards of £10,000 a year until the Regi-
15 ment was ordered to be disbanded. A rateable increase of pay is given for the same reason to the Police, Postal, and ordinary Civil Subordinate Establishments in the Bombay Presidency and Central India, and, as regards most of them, also in the Madras Presidency. In spite of every precaution, this influence is already sensibly felt throughout the
20 great Bengal Presidency in raising the standard of the public expenditure. In every part of India much higher prices have to be paid for Commissariat supplies, and labor and materials of every description for every Civil and Military Department.

25 The purchasing power of money has diminished. It is the same thing as if the public revenue had been positively reduced by a considerable amount. If the balance were restored by a *pro rata* increase on the whole of the existing taxation, there would be no real addition to the burdens of the people, because their means have increased in a still greater proportion. The settlement of the Land Tax, however, which
30 is nearly half the ordinary revenue, is proceeding for the most part at the reduced rates based upon former low prices. The profits have been left to the Agriculturist, and the fruits are reaped by the Government only in a steadily rising value of land and in a general increase of prosperity and contentment.

35 Concurrently with this, a demand which may be controlled, but cannot and ought not to be resisted, has arisen for improved administration. In Police, in Jails, in the judicial administration, in all that relates to the accommodation and treatment of the soldier, public feeling is no longer content with the former less perfect arrangements.
40 But nothing is dearer than good government. Every plan of improvement resolves itself into a question of additional expenditure. A striking instance of the combined effect of increased prices and administrative reform will be seen in the comparative Statement, in the Appendix, of the cost of jails in 1863-64 and 1865-66.

45 Nevertheless, I am of opinion that, provided proper economy is exercised, the existing sources of revenue, with only such ordinary improvements as time and circumstances require, will suffice. One of the greatest objections to the Income Tax is, that it is felt to be such a powerful instrument of taxation as to induce a relaxation of the habit of
50 economy. The disposition will always be to spend up to an Income Tax. In order to prevent, I will not say profuseness, but a feeling of indifference.
1865-66.]

ence about the spending of public money, there must be a sense that we are dealing with limited funds. The resources still to be derived from a judicious frugality are extremely important.* Although the crop was reaped in 1860-61, valuable gleanings have since been obtained in the shape of further reductions in the military force, in the Marine Establishments, and in those formerly connected with the abolished Government manufacture of Salt in Bengal ; and arrangements are in progress for transferring the cost of the Police of Towns to the inhabitants. 5

The social revolution in progress also has its own compensations. The prosperity for the wants of which we have to provide is itself highly conducive to the increase of the revenue. India cannot be fully occupied with the arts of peace and the arts of war at the same time. Populations which were formerly of a highly warlike character have become entirely industrial. In the south of India, the people have lost the habit of wearing or using arms, and this change is gradually extending to our provinces in the north. The Railways have also greatly increased the efficacy of any given Military Force, and the native troops are so sensible of this, that they say in the Punjab that they might now mount guard at Calcutta. The increased Military expenditure ought, therefore, to be met by a reduction of numbers. 10 20

Again, the Subordinate Civil Establishments are unnecessarily large, because, having been cheap, there was a feeling of indifference about their number, and having been ill-paid, they were inferior in point of qualification, and lax in their application to work. The Government of India has not refused to increase the salaries of the Subordinate Civil Establishments. It is only desired that the increase should be made after a careful scrutiny, both of the number really wanted, and of the work which really has to be performed, for one of the consequences of the former lax system is that there is a great deal of surplus waste work. The admirable manner in which reduction and re-arrangement have been combined with increase of salaries in the Post Office Department in every part of India, shows that if proper precautions are taken, the revision of the Public Establishments with reference to the increased cost of living may be made without any serious increase of expense. The same process has been successfully applied to all the Revenue Establishments of the Madras Presidency. Lastly, although we are working up to an advanced European standard, we should remember that, with immense capabilities, India is still in a backward, undeveloped state, and we ought not to attempt to arrive *per saltum* at a complete administrative machinery, in advance, both of our resources, and of the condition of sound progress. 25 30 35 40

If additional revenue should hereafter be required, a sure, and, in my opinion, perfectly unobjectionable resource will be found in a moderate increase of the Salt Tax. The body of the people of India are the countless Peasant Proprietors, and the much smaller number of persons who live by wages in town and country. The annual incidence of the highest existing rate of duty upon Salt, calculated upon the consumption 45

* A large sum might be saved in Government printing alone, which in almost every part of India is carried to an excess, wasteful alike of money, mind, and time. At home, with much less necessity for reform, the public printing has been brought under strict regulation. 50

of a single individual, is less than one shilling, and the profits of agriculture and the rates of wages have so increased of late, that this bears an inappreciable proportion to the income even of the most ordinary laborer. Owing to the greatly increased importations from Liverpool, the
 5 average price of salt in Bengal, exclusive of duty, is not half what it was, while in the South and West of India the price has been greatly diminished by the reduction in the cost of carriage, arising from the opening of the Railroads to various points in the interior. Half the revenue of England is levied upon consumable articles which from habit have become neces-
 10 saries, but taxes of this class are represented in India only by the Salt Tax and the excise upon Spirits and Drugs, amounting to about one-seventh of the revenue. No Tax can be collected more cheaply or with less annoyance to the people than the Salt Tax. In India, where the interference of subordinate fiscal Agents is more than usually disliked,
 15 this is one of the greatest recommendations of a tax. An addition even of two annas a maund, or 3*d.* on 80 lbs. of Salt, would yield £250,000, and it would be collected net without any addition to the existing machinery.

The only really productive taxes are those which are paid by the body of the people. Clearly they ought to pay their fair share, for they profit
 20 even more than the rich by the advantages of good government. A rich man can generally protect himself, but if the interests of the poor man are not cared for by the State, he is ground down by the rich and is rarely able to rise in the social scale. The increased prices and wages from which the bulk of the payers of this tax are enjoying such great
 25 advantages, are distinctly the result of strong and just government, and they are also the main cause of the increased expenditure for which we have to provide.

The first sales by auction of the remaining stock of Government salt in Bengal will take place this year. Owing to the low rates at which
 30 Liverpool salt has been delivered, the sales of Government salt, actual and estimated, in the current year, at the fixed rates, are only 934,252 maunds compared with 1,178,335 maunds in 1863-64, and 1,913,978 maunds in 1862-63, besides which 214,681 maunds have been destroyed by the cyclone. After deducting 55,102 tons to be sold by auction, and
 35 making a reasonable allowance for further sales at the fixed rate, the stock remaining on hand at the end of 1865-66 may be estimated at 151,893 tons. Meanwhile, the area of consumption of Liverpool salt in the interior is continually extending, and it may be expected that, after the opening of the Railway Bridge at Allahabad, it will compete with
 40 the Rajpútana salt on its own ground at Agra and Delhi.

This year has been distinguished for a remarkable development of the principles of municipal administration and private enterprise. It has become apparent that the demands of India for the improvements which belong to a higher state of civilization cannot be fully met either
 45 by the revenue received by the Government, or by the agency at its disposal. Finding that the Government was not prepared to advance money for the improvement of Calcutta, the municipality advertised for a loan and obtained the requisite amount on moderate terms. In like manner, the Government expressed its opinion that the formation
 50 of an auxiliary Port on the River Mutla belonged rather to private than to public enterprise, and a Company was formed with a capital of 1865-66.]

£1,200,000 for the construction of the necessary works. The extensive plans of reclamation in progress in connection with Bombay and Calcutta, and the numerous Companies for Tea and Coffee cultivation, Coal Mines, conveyance of passengers and goods by land and water, and other objects, show that the future growth of India will not be limited by the standard of the means and action of the Government. The small beginnings of many of these undertakings were fostered by the Government, but as private enterprise has advanced, the Government has receded, and the relative position is annually approximating to the state of things in England.

In the Punjab, the North-West and Central Provinces, and British Burmah, the Towns have, with rare exceptions, been organized into Municipalities which are charged with the payment of the Police, and with every necessary work of conservancy and general improvement. In August last, a Resolution of the Government of India was promulgated, the object of which was to extend this system to the rest of India, with the understanding that the inhabitants should raise the necessary funds in whatever manner they might think proper, subject to the approval of the Local Governments. Such institutions are necessarily of slow growth, but the principle is fully admitted that the Town populations are chargeable with their local expenditure, including the costs of their Police, and the public revenue will be relieved and habits of self-government will be formed as effect is given to it. A germ everywhere exists for the extension of the municipal system to the country districts, and there is urgent need for its more perfect development there. Every road that is made only establishes the necessity for making others in connection with it, and the charge for repairs alone is becoming an excessive burden on the Central Exchequer.

An abstract will be found in the Appendix of the actual expenditure of Local Funds in 1863-64, together with Estimates for 1864-65 and 1865-66. It will be seen that there is an increase in the receipts from £1,994,296 in 1864-65 to £2,153,649 in 1865-66, and an increase in the expenditure from £2,038,251 to £2,327,017, while there is an estimated decrease in the balance on hand from £1,774,679 to £1,601,311.

Besides the temporary grant of one per cent. from the Income Tax and the permanent transfers from general to local revenue mentioned in my former Statements, further steps have since been taken in the same direction. The revenue derived from Fisheries in the Madras Presidency, amounting to Rs. 60,000 a year (excepting, of course, the Pearl and Chank Fisheries,) has been transferred to Local Funds as had previously been done in Bengal. Ten per cent. of the proceeds of escheated lands in Malabar has been similarly appropriated. In the Central Provinces, the Land Revenue assessment is so moderate that the Road and Educational Cesses have been raised from one to two per cent. each upon the Land Revenue without imposing any undue burden upon the people. Buildings belonging to the Government in Provincial Towns which are not required for Government purposes are likely to be turned to better account by local administration for objects in which the inhabitants are interested, than if they were under Government management, as belonging to the Imperial Revenue. The arrangements which had long existed for giving effect to this principle in the Bengal Presidency under the name of "Nuzool" or Escheats were extended in September last to the Presidencies of Madras and Bombay.

[1865-66.

The English Commissioners have completed their investigations into the accounts of the several Departments of the Government to which their attention was directed, and have laid their Reports before the Government.

5 Many of their recommendations have received the sanction of Government, and others are still under consideration.

Mr. Foster remains in India for a limited period in order to superintend the introduction of the changes which are to be carried into effect, and considerable progress has already been made. The whole of the
10 recommendations regarding the accounts of Kidderpore Dockyard have been brought into practical operation, and in the Civil and Military Departments extensive changes are being gradually and safely introduced, which will greatly simplify the accounts, add security against fraud by providing a rapid post-audit in substitution of the former system of
15 double audit, and, by diminishing the amount of labor, lead the way to the reduction and ultimate entire removal of the state of arrear from which the public accounts are now suffering.

These changes, when carried into effect, will necessitate an entire re-organisation of the Offices of Account with a view to obtaining a
20 larger amount of efficiency at a less cost. This end must be attained by an improvement of salaries combined with a large reduction of numbers.

" The Government Paper Currency has been in a state of healthy progressive increase throughout the year without any violent fluctuations. New Currency Circles have been established at Allahabad, Nagpore, and
25 Lahore in the Bengal Presidency, at Kurrachée in the Bombay, and at Vizagapatam, Trichinopoly, and Calicut in the Madras Presidency. The Note circulation has risen from £5,350,000 in April 1864 to £7,348,585, while the investment of the deposits of specie has been increased from £3,000,000 to nearly £4,000,000, the maximum amount
30 permitted by law.

Believing that the time had arrived for the adoption of a Gold Currency in India, and that, although the sovereign would be somewhat undervalued at ten Rupees with reference to the greater part of India, it would, nevertheless, owing to its superior convenience, obtain an increasing
35 circulation at that rate without any possibility of injury to the creditor, the Government of India recommended to the Secretary of State in July last that the Sovereign and Half-Sovereign should be declared legal tender at the respective rates of ten and five Rupees. Upon this, the Secretary of State determined upon the experimental measure of
40 receiving the Sovereign and Half-Sovereign in all the Treasuries of India at those rates, and of paying them out again at the same rates to such persons as might be willing to take them, and also of receiving them in the Currency Offices to an extent not exceeding one-fourth of the total amount of issues represented by Coin and Bullion, as authorized
45 by law. The result of this experiment has been highly interesting and important. The Sovereign has been received in all the Currency Offices of the Bengal Presidency, and in many of the Treasuries, and it is daily coming into increasing use, both for the ordinary transactions of private life, and for the purpose of remittance. Up to the 9th of March,
50 the total receipts at the Bank of Bengal in British and Australian Sovereigns amounted to £370,000; and although payments had likewise
1865-66.]

been made to a considerable amount, Sovereigns accumulated to an inconvenient extent in the hands of the Bank, and 200,000 were therefore transferred to the Calcutta Currency Office in exchange for Rupees. Further arrivals of Sovereigns were expected from Australia, and it became apparent that, in order that the balances of the Bank and of the Government might not be composed, to an inconvenient extent, of a coin which could not be relied upon as a circulating medium, owing to its not being a legal tender, it was necessary either to go forward to convert the experimental measure of making the Sovereign receivable in the Treasuries and Currency Offices at ten Rupees into the substantive one of making it a legal tender at that rate, or to take the retrograde step of withdrawing the Notification, or modifying it by making the Sovereign receivable at a lower rate. The Government did not hesitate between these alternatives, and it has been again recommended to the Secretary of State that Sovereigns and Half-Sovereigns, according to the British and Australian standard, coined at any properly authorised Mint in England, Australia, or India, should be made legal tender throughout the British dominions in India at the rate of one Sovereign for ten Rupees. 5 10

I stated that the surplus, which was originally £501,830, would, with 20 the additions consequent upon the increased export duties £330,000, amount to £831,830.

To this must be added £60,000, the anticipated receipts from the Indo-European Line of Telegraph, making a sum of £891,830.

It has been found necessary to comply with a requisition which has just been received from the Government of Bombay for an addition of £17,520 to the expenditure under the head "Law and Justice." 25

The surplus therefore stands at £874,310. =

These recent changes have been noted at the foot of the Statement of the Revenue and Charges. Their effect with reference to the one item of receipt (Income Tax), which will not recur, will be to leave a surplus in 1866-67 of £452,560, even assuming that every other item remains unchanged. 30

APPENDICES

Comparison of the Military Budget Estimates in 1864-65 and 1865-66.

GRANTS.		BUDGET ESTIMATE, 1864-65.				BUDGET ESTIMATE, 1865-66.			
		BENGAL.	MADRAS.	BOMBAY.	TOTAL.	BENGAL.	MADRAS.	BOMBAY.	TOTAL.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Army and Garrison Staff	25,13,478	12,12,054	12,28,300	49,53,832	24,52,780	12,26,080	12,44,910	49,23,770
2	Administrative Staff	9,77,222	5,37,700	4,64,600	19,79,522	9,86,520	5,03,520	4,92,360	19,82,400
3	Regimental Pay, Allowances & Charges	3,98,54,879	1,43,79,014	1,25,14,300	6,67,48,193	3,99,45,000	1,49,38,835	1,26,00,000	6,74,77,835
4	Commissariat Department	1,16,51,962	46,08,200	42,73,600	2,03,33,762	1,51,44,920	58,63,915	57,05,900	2,67,14,635
5	Stud and Remount Department	13,90,117	4,34,344	3,500	18,97,961	14,33,140	3,97,150	1,34,200	19,64,490
6	Clothing Department	8,69,900	2,47,900	2,82,200	14,00,000	8,64,920	2,36,170	2,69,260	13,70,350
7	Barrack Department	16,75,080	4,74,944	4,83,000	26,33,004	20,93,790	5,60,420	5,26,800	31,81,010
8	Administration of Martial Law	1,77,916	1,41,600	82,500	4,02,016	1,93,420	1,43,540	87,000	4,24,360
9	Medical Department	24,60,268	11,67,100	8,87,400	44,94,768	24,69,250	11,13,630	9,95,820	45,78,700
10	Ordnance Department	25,06,988	12,40,480	11,21,900	48,69,368	25,44,130	11,16,470	12,60,630	49,21,230
11	Ecclesiastical	1,43,500	52,200	58,000	2,53,700	1,26,720	53,160	57,790	2,37,670
12	Education...	2,77,800	22,264	64,100	3,64,164	2,45,700	71,360	44,180	3,61,240
13	Surveys	9,49,200	.....	.....	9,49,200	10,75,300	.....	.....	10,75,300
14	Sea Transport Charges	11,68,200	5,50,000	2,86,000	20,04,200	8,60,000	8,50,000	7,30,000	24,40,000
15	Miscellaneous Services	10,82,634	12,34,100	8,55,800	31,72,534	8,70,170	14,00,000	16,74,800	39,44,970
16	Volunteer Corps	2,376	24,000	.....	26,376	19,300	12,000	1,480	32,780
16A	Stationery	.....	8,300	.....	8,300	.....	.....	.....	.....
17	Rewards for Military Services	1,10,800	9,000	15,200	1,35,000	1,17,770	23,600	25,210	1,66,580
18	Retired Officers	1,17,000	1,13,200	.....	2,30,200	1,09,440	10,440	31,430	1,51,310
19	Military Pensions	19,48,500	28,11,200	13,18,200	60,77,900	25,76,250	30,21,340	12,06,180	68,03,770
20	Pensions to Widows and Orphans of European Officers	28,600	15,400	7,000	51,000	79,500	25,880	22,560	1,27,940
21	Civil Pensions and Gratuities	83,700	48,600	32,600	1,64,900	89,860	55,100	39,300	1,83,760
	Amount undistributed	60,100	.....	.....	60,100	.....	.....	.....	.....
	Rupees	6,99,50,200	2,92,91,600	2,39,58,200	12,32,00,000	7,42,97,380	8,16,16,910	2,71,48,810	13,30,63,100
		or	or	or	or	or	or	or	or
		£	£	£	£	£	£	£	£
	Stores from England	6,995,020	2,929,160	2,395,820	12,320,000	7,429,738	3,161,691	2,714,881	13,906,310
	Extraordinary Expenditure of the Bhutan War	170,459	76,146	-86,584	333,189	185,844	67,908	94,498	348,250
		*	.....	.....	*	100,000	.....	.....	100,000
	£	7,165,479	3,005,306	2,482,404	12,653,189	7,715,652	3,229,599	2,809,379	13,754,560

* No Military operations had been decided on at the date, 7th April, 1864, when the Budget Estimate of 1864-65 was promulgated. In the Regular Estimate of that year the amount included for "additional charges connected with the Bhutan War" is £100,000.

MILITARY DEPARTMENT,
ACCOUNT BRANCH,
The 27th March 1865.

MEMORANDUM.

The Military Budget Estimate of 1865-66 for all India exceeds the corresponding Estimate for 1864-65 by nearly one crore of Rupees, or one million sterling,* although the Force provided for in 1865-66 is less than that of the former year by 2 Regiments of European Infantry, 1 Regiment of Native Cavalry, 4 Batteries of Artillery, with a further reduction of Field to Garrison Artillery.

The Grants or Heads of Service in which any considerable increase occurs are as follow :—

- Grant 3.—Regimental Charges, nearly 7 lakhs.
- Grant 4.—Commissariat Services, nearly 64 lakhs.
- Grant 5.—Stud and Remounts, nearly 1 lakh.
- Grant 7.—Barrack Department, about 5½ lakhs.
- Grant 9.—Medical Services, nearly 1 lakh.
- Grant 13.—Surveys, above 1 lakh.
- Grant 14.—Sea Transport, above 4 lakhs.
- Grant 15.—Miscellaneous Services, nearly 8 lakhs.
- Grants 19 and 20.—Pensions, about 8 lakhs.

The remaining minor increases are balanced by corresponding decreases in other Grants.

Before entering into the items of actual increase, it may be observed that some of the Grants are nominally larger on account of transfers from other Grants; thus, for instance, the increase in the Stud is by the transfer of Rs. 1,30,000 from the Commissariat for the purchase of horses; and other items have been transferred from Miscellaneous charges to other Grants.

The increase in Grant 3, Regimental Pay, would have been greater but for the reduction of Force. This is mainly attributable to the abolition of Half Batta and to the increased pay of Regimental Medical Officers.

The recent Medical Warrant has also increased the amount of Grant 9.

The great increase in Grant 4 (Commissariat Charges), amounting, with the transfer of the cost of horses purchased at Bombay, to about 65 lakhs, is owing to several causes—

1st, the rise in prices, which has rendered the cost of rationing European and Native Troops much dearer.

The difference in this item alone is Rs. 8,44,700, and for a smaller Force.

The increased cost of forage for a slightly reduced number of horses is Rs. 4,51,180, whilst the additional cost of compensation for forage to Native Cavalry is Rs. 3,83,100.

The increased consumption of Malt Liquor, chiefly caused by the reduction of the issue of spirits, involves an addition of no less than

* Including the cost of Stores from England and the extraordinary charges of the Bhutan War, the Military Budget Estimate of 1865-66 exceeds that for 1864-65 by £1,101,371.

Rs. 22,87,861 in the cost of the liquor as landed at the several Ports, and of Rs. 12,61,518 for local carriage and contingencies, making a total increase of Rs. 35,49,379.

One heavy item in the increase of this Grant is caused by the transfer of the cost of carriage from other Departments to the Commissariat.

" The increase in the Barrack Expenditure is caused by the additional grant of lights to Reading Rooms and Non-Commissioned and Married Men's quarters, the increased price of oil, and the rise in the prices of Blankets and Cotton Bedding.

In the Miscellaneous Grant is included the great increase in the compensation payable to Natives for dearness of provisions, including firewood at Bombay. This amounts to Rs. 7,60,000 for Madras and Bombay alone: the compensation in Bengal, which is comparatively small, is shown in the Commissariat Expenditure, and is for the most part payable to the troops employed in the Dooars.

The cost of Sea Transport is mainly increased by the larger number of time-expired men proceeding home, the relief of Royal Artillery, which was not provided for last year, and a larger relief of the Native troops employed in Burmah and the Straits.

" The amount of pensions is gradually increasing, and the reduction of Native Artillery last year in Madras and Bombay, and of Native Infantry at Madras, as also of Native Cavalry this year at Bombay, has added to the expenditure on this account.

The other items of increase speak for themselves, and require no particular notice.

ARTHUR BROOME, *Colonel,*
Accountant General, Military Dept.

Comparison of Jail Expenditure in 1863-64 and 1865-66.

	1	2	3	4	5	INCREASE OR DECREASE IN					REMARKS.
						Jail Establish-ments, &c.	Rations, &c.	Jail Establish-ments and Rations.	Jail Manufac-tures.	Total Jail Expendi-ture.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Bengal	1863-64 { 3,94,335	3,27,875	7,22,310	8,12,609	13,34,819	-1,11,372	+4,50,893	+3,39,521	+90,777	+4,30,298	
...	1865-66 { 2,82,963	7,78,768	10,61,731	7,03,386	17,66,117						
N. W. Provinces	1863-64 { 2,80,305	2,48,375	5,28,680	13,610	5,42,290	+60,446	+1,73,050	+2,34,396	+2,790	+2,37,186	
...	1865-66 { 3,40,751	4,22,325	7,63,076	16,400	7,79,476						
Oude	1863-64 { 82,355	82,384	1,64,689	.....	1,64,689				.....	+1,06,891	
...	1865-66 { 1,58,776	1,12,304	2,71,580	.....	2,71,580	+76,421	+30,470				
Punjab	1863-64 { 1,46,851	1,55,329	3,02,680	42,334	3,45,014	+58,584	+2,38,572	+2,97,156	-7,354	+2,89,802	
...	1865-66 { 2,05,435	3,94,401	5,99,836	34,980	6,34,816						
Bombay & Sind	1863-64 { 1,07,558	2,06,795	3,13,353	772	3,14,125	+18,389	+1,13,390	+1,31,719	+11,330	+1,48,049	
...	1865-66 { 1,25,897	3,19,175	4,45,072	12,102	4,57,174						
Central Pro- vincts	1863-64 { 1,091	86,240	88,200	79,271	1,67,471	+1,07,211	+28,700	+1,35,972	-59,271	+76,701	
...	1865-66 { 1,09,172	1,15,000	2,24,172	20,000	2,44,172						
E. & W. Berars	1863-64 { 17,774	31,400	49,174	.....	49,174	+24,720	-13,648	+11,078	+300	+11,378	
...	1865-66 { 42,509	17,752	60,262	300	60,562						
Madras	1863-64 { 1,67,643	1,88,790	3,56,433	14,649	3,71,082	+13,854	+1,34,560	+1,48,414	+504	+1,48,918	
...	1865-66 { 1,81,497	3,23,350	5,04,847	15,153	5,20,000						
E. Settlements.	1863-64 { 33,057	32,203	65,260	.....	65,260	-17,238	+4,997	-11,241	+3,900	-6,341	
...	1865-66 { 15,819	37,200	53,019	5,900	58,919						
British Burmah	1863-64 { 61,882	1,12,370	1,74,152	6,681	1,80,833	+26,086	+40,810	+66,906	+2,619	+69,525	
...	1865-66 { 87,978	1,53,080	2,41,058	9,300	2,50,358						
Govt. of India.	1863-64 { 43,588	16,377	59,965	2,435	62,400	-38,747	-13,677	-52,424	-2,335	-54,759	Calcutta Jail transferred to Bengal.
...	1865-66 { 4,841	2,700	7,541	100	7,641						
TOTAL	1863-64 { 13,37,309	14,87,488	28,24,796	7,72,361	35,97,157	+2,18,350	+11,50,067	+14,07,388	+45,260	+14,52,648	
...	1865-66 { 15,55,629	26,76,555	42,32,154	8,17,621	50,49,805						

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[1865-66.]

LOCAL

	Actual Balance on 1st May 1863.	ACTUALS, 1863-64.		Actual Balance on 30th April 1864.
		Receipts.	Charges.	
	£	£	£	£
Bengal	853,901	458,844	478,998	333,747
N. W. Provinces	222,915	450,230	431,130	242,015
Oude	90,294	104,601	93,529	101,366
Punjab	198,122	211,910	225,813	184,219
Bombay	340,084	299,894	127,314	512,664
Central Provinces	62,534	141,407	133,937	70,004
Berars	70,359	89,796	88,133	72,022
Madras	77,886	159,481	140,591	96,776
British Burmah	64,930	72,012	64,081	72,861
Government of India	83,586	61,128	11,754	132,960
TOTAL £	1,564,611	2,049,303	1,795,280	1,818,634

FUNDS.

ESTIMATES, 1864-65.		Estimated Balance on 30th April 1865.	ESTIMATES, 1865-66.		Estimated Balance on 30th April 1866.
Receipts.	Charges.		Receipts.	Charges.	
£	£	£	£	£	£
555,842	544,272	345,317	483,856	605,942	223,231
471,450	487,930	225,535	456,952	434,281	248,206
109,890	113,549	97,707	102,704	100,299	100,112
214,053	264,522	133,750	245,930	309,762	69,918
199,471	170,787	541,348	355,011	450,410	445,949
90,323	96,077	64,250	94,648	98,319	60,579
84,794	100,219	56,567	83,634	97,603	42,598
162,164	162,305	96,935	152,099	186,873	62,161
61,686	79,635	54,912	56,622	30,556	80,978
44,323	18,925	158,358	122,193	12,972	267,579
1,994,296	2,038,251	1,774,679	2,153,649	2,327,017	1,601,311

General Abstract Statement of the Revenues and Charges

REVENUES AND RECEIPTS.	Actual, 1861-62.	Actual, 1862-63.	Actual, 1863-64.	1864-65.		BUDGET ESTIMATE OF 1865-66.
				Budget Estimate.	Regular Estimate.	Budget Estimate.
	£	£	£	£	£	£
Land	19,684,670	19,570,147	20,303,423	20,265,000	20,094,800	20,208,190
Forest ...	* 460,728	* 520,580	304,443	320,150	356,130	383,000
Abkaree ...	1,786,157	1,951,080	2,060,270	2,087,680	2,272,950	2,335,320
Assessed Taxes ...	2,954,696	1,882,212	1,483,622	1,187,660	1,236,490	551,140
Customs ...	2,876,139	2,464,366	2,384,061	2,311,000	2,255,470	†2,191,280
Salt ...	4,563,081	5,244,150	5,035,696	5,442,510	5,624,250	5,782,880
Opium ...	6,359,269	8,055,476	6,831,999	8,200,000	7,514,120	7,723,600
Stamps ...	1,693,217	1,439,638	1,735,216	1,744,270	1,912,140	2,058,500
Mint ...	380,735	371,116	369,759	428,500	414,800	461,640
Post Office ...	402,135	425,528	459,882	485,440	347,220	370,180
Electric Telegraph ...	73,452	75,525	91,762	193,450	93,590	†130,350
Law and Justice and Police ...	511,513	494,842	631,798	660,740	716,470	848,790
Marine ...	155,723	189,048	307,715	350,000	312,270	225,630
Public Works ...	588,858	443,553	461,785	617,610	1,016,650	1,000,000
Tributes and Contributions ...	780,162	725,763	715,900	744,900	742,280	722,350
Miscellaneous—Civil ...	468,500	404,057	615,903	375,200	492,976	413,300
„ Military ...	956,219	802,309	747,431	661,300	700,000	850,000
Interest ...	34,213	34,364	72,277	178,400	181,500	232,610
	13,829,472	.....	.....	.....	46,284,106	£46,488,760
Loan to be raised in England for new Military and Irrigation Works ...			.....	.....	.....	1,200,000
Deficit, including Railways	50,628	.....	.....	.....	344,143	
	£ 43,880,100	45,143,752	44,613,082	46,163,870	46,628,249	£47,688,760

* Includes Sayer and Miscellaneous Receipts.

† Exclusive of additional Export Duties ... £330,000

‡ Exclusive of Earnings of Indo-European Line ... 60,000

§ The amounts marked thus are increased by ... £390,000

of India for five years from 1861-62 to 1865-66.

EXPENDITURE.	Actual, 1861-62.	Actual, 1862-63.	Actual, 1863-64.	1864-65.		BUDGET ESTI- MATE OF 1865-66.
				Budget Estimate.	Regular Estimate.	Budget Estimate.
Allowances, Refunds, and Drawbacks ...	£ 341,538	£ 342,066	£ 333,565	£ 287,640	£ 289,470	£ 242,960
Land Revenue, Forest, and Abkaree ...	2,030,489	2,076,970	2,384,412	2,611,350	2,601,800	2,740,640
Assessed Taxes ...	121,043	72,676	45,115	46,513	40,370	19,390
Customs ...	243,547	178,706	177,491	174,753	190,350	190,660
Salt ...	646,931	501,411	305,065	330,797	361,740	347,620
Opium ...	1,449,465	1,856,278	2,306,493	2,254,161	2,707,840	1,954,800
Stamps ...	68,268	98,097	103,393	98,864	97,100	1,02,340
Mint ...	106,688	180,723	162,182	236,165	138,340	133,480
Post Office ...	481,328	481,196	502,671	492,495	416,310	431,490
Electric Telegraph ...	358,223	352,689	321,856	345,978	385,000	441,150
Allowances and Assignments under Treaties and Engagements ...	1,640,466	1,735,663	1,721,335	1,704,132	1,712,000	1,682,900
Allowances to District and Village Officers ...	599,682	568,046	585,089	588,681	629,940	543,860
Miscellaneous ...	20,742	26,581	26,625	45,216	81,510	100,100
Contingencies, special and temporary ...	.....	9,783	841	1,218		
Army ...	13,681,900	12,764,325	12,697,069	12,653,189	13,327,760	13,754,560
Marine Charges ...	686,193	744,590	567,555	538,780	532,410	538,200
Public Works, including 1 per cent. Income Tax Fund and loss by Exchange on Railway Transactions ...	4,742,183	44,00,632	5,375,523	5,358,730	5,685,817	5,888,640
Salaries and Expenses of Public Departments ...	1,106,749	1,001,936	1,157,451	1,187,265	1,171,220	1,231,560
Law and Justice ...	1,951,217	2,074,146	2,120,636	2,354,311	2,306,890	* 2,500,060
Police ...	2,163,163	2,141,269	2,300,482	2,358,540	2,347,240	2,442,590
Education, Science and Art ...	342,593	400,361	411,856	561,175	585,780	622,210
Political Agencies and other Foreign Services.	210,070	241,515	214,148	226,807	238,760	234,940
Superannuation and Retired, Allowances and Gratuities for charitable and other purposes ...	703,297	740,896	692,218	796,764	962,730	811,970
Miscellaneous ...	309,702	265,405	334,856	279,289	408,520	311,600
Civil Contingencies ...	204,783	103,165	116,594	41,200		
Interest ...	3,134,897	3,351,680	3,093,250	3,213,729	3,130,500	3,201,820
Expenditure in India ...	37,245,756	36,800,805	38,087,772	38,787,742	40,349,797	† 40,469,540
Net Expenditure in England ...	5,203,264	4,943,428	4,777,630	4,929,924	4,890,036	5,483,390
Guaranteed Interest on Railway Capital, less Net Traffic Receipts ...	1,425,080	1,572,174	1,669,283	1,622,916	1,388,416	1,234,000
Total Expenditure ...	.....	43,316,407	44,534,685	45,340,582	46,628,249	† 47,186,930
Surplus, including Railways	.....	1,827,345	78,347	823,288	.....	‡ 501,830
	43,880,100	45,143,752	44,613,032	46,163,870	46,628,249	† 47,688,760

* Exclusive of additional Grant to Bombay £17,520.

† The amounts marked thus are increased by £17,520.

‡ The surplus is increased by £330,000 + £30,000 - £17,520 = £342,480.

[1865-66.

Estimate of Cash Balances in the Indian Treasuries on the 30th April 1866.

1865-66.]

RECEIPTS IN INDIA IN 1865-66.				DISBURSEMENTS IN INDIA IN 1865-66.			
	£	£	£		£		
Revenues	...	...	46,488,760	Expenditure in India	...	40,469,540	
Add—Additional Export Duties	...	330,000		Add—Additional Grant to Bombay under	...	17,520	
Receipts from Indo-European Tele-	...			“Law and Justice”	...		40,487,060
graphic Line	...	60,000					
			390,000	Deduct—Items included in above—			
				Stores from England	...	559,300	
				Dividends on India Transfer Loan	...	74,000	
				Property	...	41,700	
				Miscellaneous	...		715,000
							39,772,060
Debt (Receipts on account of) ...	...	...	11,794,215	Debt (Payments on account of) ...	...	...	11,207,635
				Railways	...	3,483,334	
				Irrigation and Canal Company	...	365,000	
				Other Payments	...	126,280	
							3,974,614
Recoveries in India of Payments in England.				Remittances to England on account of Payments for India.			
Funds, Family Remittances, &c.	...	...	1,569,040	Guaranteed Railway Interest	...	2,834,000	
Net Railway Earnings	...	...	1,600,000	Other Payments	...	4,510,375	
Estimated Cash Balance on 30th April 1865	...	...	11,417,099	Unadjusted amounts between Presi-	...	100,000	
				dency and Presidency	...		
				Estimated Cash Balance on the 30th	...		
				April 1866	...	10,860,430	
							10,000,430
							£73,259,114

E. H. LUSHINGTON,
Secy. to the Govt. of India.

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 31st March 1865.

Home Charges in 1865-66.

DEBT.		£	£
Dividends to proprietors of East India Stock ...	...	629,970	
Interest on Loans contracted in England ...	...	1,234,150	
TOTAL DIVIDENDS AND INTEREST.	...	.....	1,864,120
CIVIL.			
Charges, General, Home Establishments, &c. ...	...	172,900	
Amount payable under the Postal arrangement ...	...	50,000	
Red Sea and India Telegraph—Charge to India ...	...	18,000	
Persian Gulf Telegraph Cable ...	...	12,400	
Mission to the Court of Persia—Charge to India ...	...	12,000	
Her Majesty's Establishments in China—Charge to India ...	...	17,000	
Pensions and Retired Allowances, <i>viz.</i> :—			
Civil Pensions, including late St. Helena Establishment ...	...	237,000	
Furlough and Absentee Allowances ...	...	72,000	
Miscellaneous, including India Office, site and building ...	...	200,300	
TOTAL CIVIL CHARGES	...	.....	791,600
MILITARY.			
<i>Effective Charges.</i>			
Imperial Government for Troops serving in India...	676,000		
Ditto on account of cost of education of Officers and Cadets ...	9,922		
Passage of Troops ...	100,150		
Passage and Outfit of Officers ...	42,200		
Furlough Allowances ...	177,000		
Construction of Vessels for conveyance of Troops between this country and India ...	750,000		
Total Effective Charges	...	1,755,272	
<i>Non-Effective Charges.</i>			
Imperial Government for Troops serving in India ...	236,600		
Retired Pay, including Colonel's Allowances ...	774,000		
Pensions, Lord Clive's Fund ...	118,000		
Total Non-Effective Charges	...	1,128,600	
TOTAL MILITARY CHARGES	...	.....	2,883,872
MARINE.			
Pensions and Retired Allowances, Indian Navy and Bengal Pilot Service ...	...	52,000	
Furlough Absentee Allowances ...	...	1,800	
TOTAL MARINE CHARGES	...	.....	53,800
TOTAL CHARGES IN ENGLAND	...	.....	5,593,392
<i>Deduct—</i>			
Miscellaneous Home Receipts ...	...	.....	110,002
NET EXPENDITURE IN ENGLAND	...	.....	£5,483,390

FINANCIAL STATEMENT

BY

THE RIGHT HONORABLE W. N. MASSEY.

MARCH 24th 1866.

It is now my duty to lay before the Council the financial result of the year which expired on the 30th of April last; the results, so far as they have been ascertained, of the current year, and also the Budget Estimate for the ensuing year, 1866-67.

According to the Estimates of 1864-65, we should have had a 5 Revenue in excess of Expenditure of £823,288.

Unfortunately those anticipations have not been realized, and instead of a surplus of over £800,000, the actual result is a deficit of £193,520, the difference, as the Council will see, being upwards of a million sterling. Now this great difference is caused by the over-estimate of a great head of 10 Revenue, and under-estimate of a great head of Charge. The Military Expenditure had been under-estimated by more than £500,000. This under-estimate was caused by circumstances not in the contemplation of those who framed the estimate. There was a demand for increased expenditure on account of increased price of provisions, that told on the 15 expenditure of every Department. Besides this, there was the substitution of full for half batta. And lastly, there were the expenses arising out of the Bhután War.

On the Revenue side of the account, with one exception, the calculation had been so moderate that the Revenue has yielded £327,622 more 20 than was estimated. But unfortunately Opium, that great disturbing element of Indian Finance, failed. There was a falling off in the returns from the sale of that drug, as compared with the Estimate, of upwards of £800,000, so that, putting together the failure of Opium and the under-calculation of Military Expenditure, the result is a deficit of 25 £193,520. For the present I will say no more upon the financial transactions of 1864-65. I shall have occasion to refer to them again; but I will now proceed to the current year, which will expire on the 30th April next.

[1866-67.

This year has been marked by great vicissitudes. It was the misfortune of my predecessor to meet the Council at this time last year with his Expenditure in excess of his Revenue. Sir Charles Trevelyan had estimated the Expenditure at £47,204,450. The Revenue derived from 5 ordinary and existing sources was estimated at £46,488,760. The result was a deficit of £715,690, and it was deemed necessary to balance Revenue and Expenditure by resorting to other means. The means adopted by Sir Charles Trevelyan are in the recollection of the Council. He proposed by additional Customs Duties to raise £330,000. He also 10 proposed, in consideration of the increasing charge of Public Works and of Military demands, to recruit the Revenues of the year by a loan of £1,200,000. It was, therefore, Sir Charles Trevelyan's opinion that the normal state of the finances required only a permanent addition of about £300,000, and that occasional demands were to be met by a loan which 15 would be a simple charge for that particular year. The result of these operations would have been to convert the deficit of £715,690 into a surplus of £874,310. Those extraordinary ways and means by which my predecessor proposed to recruit his Revenue were however disallowed by Her Majesty's Government, and the Revenue consequently fell back 20 upon the ordinary resources, the result being that the deficit of £715,690 was reduced by only £60,000 and remained at £655,690. In the progress of the year, that unfortunate state of things was aggravated. The estimated Expenditure was increased (speaking in round numbers) by a sum of £173,000, and if the Council will allow me for one moment, for 25 the purpose of these calculations, to eliminate both from the Budget Estimate and the Regular Estimate at which we have now arrived, a single head of Revenue, the Receipts exhibit a decrease of £422,420. Therefore, if you add the increased expenditure of the Army, and also the decreased returns from the Revenue, to the original deficit of £715,690, you will 30 arrive at the formidable figure of £1,250,000.

Such was the state of our affairs at the commencement of this year; and had it not been for the fluctuations of that great source of Revenue to which I have adverted, and which the Council will readily understand to be Opium, I should have had this day to meet the Council with a 35 deficit of $1\frac{1}{4}$ million. I have shown you the effect of this disturbing element of Indian finance on the Estimates of last year. I shall now show you that, oscillating with equal violence, though fortunately this time in the right direction, it has produced a nearly equal effect on the current year. In 1864-65, Opium yielded £838,000 less than the Estimate. In the present year it will yield £915,000 more than the Estimate. Thus the effect of restoring Opium to its place in the Balance Sheet will be the reduction of the deficit of £1,250,000 to £335,000.

I now pass to the Estimates of the year which will commence on the 1st of May.

45 I will at once show the Council the sum total of the Balance Sheet. We estimate our Expenditure at £46,825,600. We estimate our Revenue at £46,752,800. The result is that we have a deficit of £72,800. Considering the growing increase of almost every head of Charge, and that in the ensuing year we shall be deprived of one great source of income 50 which has succoured our Revenue during the last three or four years—the Income Tax—I do not think that we have much reason to despair of our 1866-67.]

finances. It would have sounded better if we could have placed the small difference between Income and Expenditure on the other side of the account. But it is really immaterial whether so small a sum as £72,800 stands on the one side of the account or the other. The only question is, whether it is prudent to suffer our Revenue and Expenditure to remain 5 nearly in a state of equilibrium. That question of course depends on, a great variety of considerations, and is not to be determined by the mere result of casting up the figures.

The different heads of Revenue according to our Estimate for the coming year are for the most part in an improving condition. I cannot 10 state that there is any great advance in any particular branch of Revenue. But I find a result which, to my mind, is more satisfactory, a gradual progression. If you look at the figures of your Balance Sheet and find an increasing Revenue, you consider whether that increase is caused by a natural development of the ordinary sources of Revenue, or whether 15 it is attributable to accidental causes, the recurrence of which cannot be calculated on. I can confidently tell the Council, after careful examination of these accounts, that, so far as the Revenue shows progress, I believe that progress to be sound; I believe that it represents a principle of progression, and that we may fairly expect that future years will show a 20 still greater increase.

Our Revenue is in that balanced state that we have had to scrutinize every figure, because if we put down under any head more than was likely to be realized, we should be likely to disconcert the whole of our calculations. If, as in England, you have an annual surplus of millions, you 25 may be allowed some latitude in your Estimates. It is true that our ordinary Revenue has made satisfactory progress, but it is equally true that we cannot safely look to this expansion beyond certain limits.

The Land Revenue in 1864-65 was £20,095,061. Our Estimate for 30 the ensuing year is £20,254,300, an increase of £160,000. Connected with Land Revenue is one small item—Forests. It is of very recent origin. At present it can hardly be said to have emerged from obscurity. But still it shows a figure which exhibits a very large proportionate increase. We received from Forests in the year 1864-65 £351,000; we 35 calculate on receiving in the next year £462,000.

The next head is Abkárí, from which returned 2½ millions in 1864-65. We expect to receive in the present year something like the same amount. We have estimated only a small increase, £80,000.

Then we come to the Income Tax, which in 1864-65 yielded a sum 40 of £1,281,817, but in the Estimate of the present year dwindles down to £10,000, which we have set down against the small residue of arrears still outstanding. Thus under a single head, the permanent Revenue sustains a loss of £1,200,000, or, deducting the one per cent. appropriated to Local Works, about £900,000; and this important fact being 45 kept in view, a deficit of £70,000 does not present the Revenue in an unfavourable aspect.

Customs in the year 1864-65 yielded £2,296,921. Our Estimate for the next year is £2,414,100. This is not a very satisfactory figure, for it shows that, however the country may have made progress in other 50 respects, commerce has not improved to the extent which might have

fairly been anticipated, and which I hope it may attain to in future years.

I now come to the great head of Revenue which is the source of distraction to our finances, and to those who have to administer them. I refer of course to Opium. The returns from Opium in 1864-65 were 5 £7,361,405. The amount which we expect to receive in the current year is £8,638,000. The Estimate of Sir Charles Trevelyan was framed upon the very moderate returns for three or four preceding months. Those low figures were maintained for the first three or four months of the present financial year. There was an unusually large quantity of Opium 10 for sale during the present year, and, upon the advice of the Lieutenant Governor of Bengal, we limited the number of chests for next year. The result of this announcement was that the price immediately rose from Rs. 850 to Rs. 1,000 a chest, and every month has shown an increase upon its predecessors, the last sale having averaged Rs. 1,487. Consider- 15 ing the price which has been steadily ruling since the month of August, the Government of Bengal is of opinion that we may safely set the gross Revenue for Bengal and Behar Opium at $6\frac{1}{4}$ millions, that is, about £140,000 less than the estimated returns of the preceding year. Accordingly our Estimate for 1866-67 is Rs. 1,300 per chest, which will yield 20 £6,240,000.

The Opium returns would have shown a still more satisfactory figure if it had not been for the minor market of Bombay. Bombay Opium, as the Council is aware, is sold on a different principle from that of Bengal. Here we have a monopoly of the drug. There we levy a pass 25 duty. That duty is at present Rs. 600 per chest. It was calculated that £2,500,000 would have been derived therefrom this year, and the high prices quoted in China fully justified the expectation that every available chest of Opium would have been brought down to Bombay for shipment. But unfortunately the drug has come into competition with an article of 30 still greater importance, and I believe that Bombay Opium has been partially sacrificed to Cotton. The result is that, instead of getting $2\frac{1}{2}$ millions, we shall not realize more than two millions. If Bombay Opium had done its duty as Bengal has done, instead of our having a deficit of £300,000 in the current year, we should have had a surplus to nearly the 35 same amount.

Stamps in 1864-65 yielded £1,972,098. This year we put the figure at £2,000,660. We have no cause for making a greater alteration. I cannot safely say that I have discovered any reason which renders our Stamp Revenue in 1866-67 materially different from the results which 40 have been attained in 1864-65.

The other items are not of sufficient importance to warrant me in detaining the Council. They vary in small sums, but they vary in such a manner as not in any degree to illustrate the progress of our finances. They are simply variations which must happen from year to year, and it 45 would be idle to speculate upon any cause which produces any marked difference between one minor article and another.

|| The total estimated Revenue for the year 1866-67 being Rs. 46,752,800, I now turn to the other side of the account. In the same way as the Revenue shows a gradual progress, so, I am sorry to say, the other side 50 of the account exhibits at least an equal progress in Expenditure. The country has become more prosperous, the necessities of life more expensive 1866-67.]

sive, and the attractions which India presents have certainly not increased. The result has been, that we have had to raise salaries, to make allowances for an increased price of living, and to provide for the enhanced cost of maintaining the Army, both European and Native. The charge for the Army in 1864-65 was £13,181,957. The Estimate for the present year is nearly exactly the same. The difference is £747. But the Estimate of 1866-67 is a considerable diminution on the Charge of the current year. That diminution has been caused in part by the cessation of the Bhután War, a peace having been concluded suitable to the circumstances of the case and to the character of the people with whom we had to deal. Besides dispensing with a Native regiment at Madras, certain reductions have been made in the rank and file of the Army on the representation of His Excellency the Commander-in-Chief, with the full sanction of Her Majesty's Government. Probably my hon'ble and gallant friend will take the opportunity, before the Council rises, of explaining the grounds on which he has thought fit to recommend these reductions. Anxious as I am that the finances should be relieved as far as possible from pressure, I should be the last person to urge any reduction in our Military Force not justified by the circumstances of the country. My hon'ble and gallant friend has, however, satisfied his colleagues and convinced Her Majesty's Government that the retrenchments which he has proposed can be safely effected. The saving will amount to more than £300,000, the greater part of which will be available in the ensuing year.

Now, Sir, the result, so far as we have gone, suggests some serious considerations. I have shown that the year 1864-65 has been ascertained to be a year of deficit. I have shown that the current year will probably also be a year of deficit; and I have laid before you an Estimate which shows a deficit for the ensuing year. In fact, the year 1862-63 was substantially the last year of surplus. The year 1863-64 certainly resulted in a nominal surplus of £78,000, but so small a sum as that makes little difference whether it stands on the one side or the other. A surplus ought to be an absolute and substantial sum, representing a positive and manifest increase of Income over Expenditure, and you cannot give such a name to the trifling figure I have mentioned. I am justified therefore in saying that the year 1862-63 was the last year of surplus Revenue. But the year 1862-63 is an exceptional year. It is the first year that shows any results of the great financial operations commenced in 1859-60, when the finances of this country were in a most disordered state,—a state bordering on bankruptcy. It became necessary in that year, therefore, to deal with our financial system in an extraordinary manner, and the operations which went on in 1859-60 and the three succeeding years, are rather to be considered a re-construction of our financial system than ordinary adjustments between Revenue and Expenditure. In 1859-60 the Army Expenditure was reduced from 21 millions to 12½ millions. The Civil Service had also to undergo the rigid discipline of finance. It was reduced by a million and a half. The Salt and Stamp duties were greatly increased. The Income Tax was imposed for the first time; and the year 1862-63 was the first year that exhibited the result of these enormous changes. It so happened also that in 1862-63, by one of those vagaries to which the Opium Revenue is subject, the returns were 1½ million in excess of the Estimate. The

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result was that the Balance Sheet of 1862-63, which was prepared so as to leave a fair working margin, exhibited a surplus of £1,800,000, and although this figure was afterwards reduced by the Secretary of State, according to a mode of stating the account different to that which had been adopted here, there was still a large balance on the right side, inasmuch that my predecessor announced in the following year that the reign of deficit had ceased, and that of surplus had commenced. Unfortunately that expectation has not been realized, and I have today to ask whether you are satisfied with a statement showing a deficit in three succeeding years. This brings us to the question—Shall Expenditure be reduced, or taxation be increased? Before answering that question, let us take a general review of our finances for the last few years. Our Expenditure in 1863-64 was $44\frac{1}{2}$ millions. In 1864-65 it was $45\frac{1}{4}$ millions. In 1865-66 it is estimated at $47\frac{1}{2}$ millions; and in 1866-67 at $45\frac{3}{4}$ millions; so that, compared with the year 1863-64, there has been on the average an increase of upwards of two millions. If that ratio of Expenditure is to go on, it is quite manifest that our existing resources cannot keep pace with it. What is the nature of this formidable increase of Charge? A part of it, and a considerable part of it, I find, is attributable to augmented establishments consequent on the increase of Income under the different heads of Revenue. Thus there are £200,000 due to Land Revenue, Forest and Abkárí. We have for some years been engaged in a revision of the whole of the country not already in settlement. The Expenditure thus incurred has been considerable, but the Charge is finite, while the result will be a large permanent addition to the Revenue. I may mention that, as regards Oude alone, the result will be an increase of the Land Revenue to the extent of £340,000 a year. Therefore, so far as the additional Expenditure is represented by an outlay of that kind, it is an outlay to produce large returns. A Charge has also been incurred in improving the Income derived from Forests, resulting in an increase of one-fourth, or about £100,000 a year. The growing Charge for Telegraphs will likewise be productive of Income. The large advance in the vote for Public Works represents, for the most part, undertakings necessary for the public service, but which, when completed, will entail no other charge than the cost of repairs.

Then there is a second class of increased Charge, which, although unprofitable in a financial sense, yet in a larger view is gratifying, inasmuch as it represents the progress of the country in wealth, prosperity, and civilization. Thus we find that Law and Justice have increased by £200,000. Then Education will require an advance of £100,000 upon the vote of the previous year. Medical Services have been increased by £26,000; and even such items as Stationery and Printing show a considerable increase.

There is an item of increase not likely to recur. The charge for stores which has doubled in the last year owing to the necessity of replacing stock, and partly to the Bhután War, which, if it has not been marked by glitter and glory, has been unfortunately attended by the usual financial consequences of military operations. Many heads of the Army Expenditure show increase. But the necessity for that increase I have already explained by the augmented price of the necessaries of life, which 1866-67.]

are not likely to undergo any diminution for some time to come, and therefore we must look upon the increase as permanent. Passing now to the other side of the account, since the year 1863-64 there has been a steady progress under the principal heads of Revenue, with the exception of Customs, the Revenue from which has been diminished in consequence 5 of the derangement of trade in Lancashire owing to the American War. Land, Stamps, Abkárí, and Salt show an increase which, if not quite commensurate with the progress of Expenditure, is not very far from being so. But not to detain the Council by dwelling on minor particulars, I proceed now to give the totals. The actual Revenue of 10 1863-64 was £44,600,000 In 1864-65 which was the last year of the Income Tax, our Revenue was £45,600,000. That included a sum of £380,000 which Opium yielded in excess of Estimate. The Revenue of the current year is expected to result in a round sum of 47 millions, more by $1\frac{1}{4}$ millions than the former year; and if we make allowance for the 15 loss of Income Tax, the Revenue will show improvement to the extent of two millions.

The result at which we arrive then is this: So far as ordinary Revenue is concerned, on the whole, it keeps pace with Expenditure. But to make both ends meet, we have to rely on a head of Revenue of the 20 unstable and capricious character to which I have so frequently adverted. In order to maintain our financial system on its present footing, we must depend upon Opium. But the whole blame must not attach to Opium. There was on the other side of the account a disturbing element of Charge. I mean the great vote for Public Works. But there is this difference be- 25 tween Opium and Public Works, that although they are both disturbing elements of finance, you have little or no control over the one, whilst you have an almost absolute power over the other; and if you wish to maintain anything like equilibrium between your Receipts and Expenditure for the next three or four years, you must not allow this vote to have 30 its own way. I know it will be said that the vote is practically uncontrollable. The promoters of Expenditure under this head invariably say that it is necessary and urgent; but whether it be a Barrack, a Church, a Dock or Road; any one of these Charges can be postponed to a more favourable season if brought forward at a time when our finances are not 35 in a condition to meet it. The Estimate under this head comprises not only Charges for Public Works, the sanction of which is optional, but also items which are debitable rather to Capital than to Income. If we had a flourishing and redundant Revenue, it might not be worthwhile to discriminate between these items; but if taxation is to be kept within the 40 limits prescribed by the ordinary demands of the public service, this vote must be subjected to a rigid scrutiny: It has grown from £4,400,000 in 1862-63, to £5,350,000 in 1865-66, with an Estimate for more than a 45 million in advance of this sum in the ensuing year.

I am afraid I am wearying the Council. But our Re- 45 venue is in such a state that a close examination is necessary in order to understand it rightly. If the finances of India were wholly dependent from year to year on the Balance Sheet, they could not be safely left in a condition which provides no resource against these emergencies, to which every Government, and perhaps this Government 50 especially, is liable. But we have such a resource in our Cash Balances.

[1866-67.]

Owing to the peculiarity of our administration, the public monies, instead of being collected in two or three depositaries, are diffused through a great number of Treasuries and Collectorates scattered through the country; and the consequence is that a far greater amount of money is required to be kept in reserve for the public service than would be necessary under a concentrated system. As the country is opened up by railroads, we shall be able to dispense with many of the minor treasuries, and in proportion as they disappear, we shall be able to work the Government with diminished balances. At present we require about ten millions; all that we have beyond this amount is available for other purposes. The Cash Balances for the year 1864-65 were estimated at £11,417,000; but the closing balance actually ascertained on 30th April was £12,638,897. The Cash Balance, which was estimated by Sir Charles Trevelyan for the year about to expire, was £10,860,000. It is now estimated at £12,859,000. That difference is attributable mainly to the large increase of railway traffic receipts, and to another cause which I am sorry to mention. It may not have escaped attention that although Sir Charles Trevelyan was deprived of Revenue to the amount of $1\frac{1}{2}$ millions which he had calculated upon, and that this was compensated only to the extent of £915,000 from Opium, yet that the deficit amounted to no more than £335,000. The fact is that we received exceptional aid from the Home Government. In the original Estimate from Home for the current year, the Secretary of State proposed to draw upon India to the extent of £800,000 more than his drafts actually reached. But unfortunately the expenses of the Home Government did not admit of retrenchment to a corresponding amount; and the money was obtained by the sale of stock, the proceeds of which were credited in the Home Accounts. The transaction, though it does not appear in our Balance Sheet, has in fact added £800,000 to the Balances. We have estimated the Cash Balance on the 1st of May 1867 at £10,506,000.

Considering then that, on the whole, our Revenue keeps pace with our Expenditure; that though we have, it is true, one great irregular source of Revenue, yet one that is capable of being calculated upon data which yield an average Income in a series of years; considering also that there are large items in our Expenditure not likely to recur; considering the state of our Cash Balances, more than two millions in excess, we have come to the conclusion that there is no necessity this year to impose fresh burdens on the people. I will only answer for this year, because if a coincidence so improbable should happen as a great failure of ordinary Revenue and a great sinking of Cash Balances, you must be prepared promptly and vigorously to meet such a state of things by new taxes.

I have not the least doubt that, if an unforeseen necessity arises, there will be no difficulty in raising additional funds. There is one great source of Revenue which we have abandoned, to which we shall recur if necessary; an Income Tax, so assessed as to reach those who are able to pay, would be far more productive than that which has recently expired. There are many Charges debited to Imperial Revenue, which might be transferred to Local Funds. I hold in my hand a paper showing that the actual sum received from Local Funds in 1864-65 was £2,451,000. So far from our being enabled to calculate on any advance on that moderate figure this year, we are obliged to estimate for a smaller sum, only 1866-67.]

£2,329,000. It is impossible to believe that the capacity of this country to contribute to local objects is measured by such a sum as $2\frac{1}{2}$ millions. I do not want to quote the precedent of England. But I may just remark that England, besides a Revenue of £70,000,000, pays £17,000,000 by voluntary assessment for local objects. I do not say that it is practi- 5 cable to raise such a sum as that for local purposes in this country. But surely the disproportion between these two figures might be reduced, and we might fairly expect that, on a re-distribution of our burdens, we may look to the Local Governments to raise, by local taxation, a sum which will relieve us to a certain extent from Charges which properly belong 10 to Local Revenue, and unfairly find their place in the Imperial Accounts.

There are certain great Public Works in which the people of India are especially interested. I mean Irrigation Works. I hope it is probable that in the course of the ensuing year the remodelled plan of the Ganges Canal will be undertaken, that certain works on the Godavery 15 will be prosecuted; and that the Baree Doab Canal will be proceeded with. With regard to the Ganges Canal, the plans have been prepared by Captain Crofton, and have been submitted to a Committee of Engineer Officers, whose report will, I hope, be received in time to enable the works to be commenced this year. The works on the Godavery are under 20 the direction of Major Haig, and I understand that that Officer, who is now in England, in communication with Her Majesty's Government, has devised a plan by which those works will be brought to a successful termination. And as to the Baree Doab Canal, I hope there will be no material obstacles to its progress. But it is impossible to say with cer- 25 tainty whether any of these works will be undertaken at all this year. We have roughly estimated the cost of these works at about $1\frac{1}{2}$ millions, of which something less than £300,000 will come into Charge during the ensuing year. No provision has been made for this Expenditure in the Estimates; and for this reason, that they are works of a totally 30 different nature from Ordinary Public Works. They belong to a class called Reproductive Works, that is to say, works the Expenditure upon which is likely to prove a profitable investment of capital, and it is the desire of the Secretary of State that works of this sort shall be provided for out of surplus Revenue, the available surplus balances; and 35 failing these, by loan. Of course we have this year no surplus Revenue. There will however be available balances adequate to the moderate demands which may be expected in respect to these works, so that there is no probability that it will be necessary, during the course of the year, for the Government to propose a loan. 40

The vigorous prosecution of Irrigation Works has been delayed by various causes. There have been in the first place very considerable discussion and doubt as to the agency by which these works shall be done. The Government of India has expressed an opinion in which Her Majesty's Government concurred, that works of this character, so likely 45 to be productive of Revenue, should be retained in the hands of the Government, and conducted by Officers acting under its orders, and defrayed entirely from Revenue raised on its credit. On the other hand, there have not been wanting many advocates of private enterprize. I may say at once that the field is ample for both. I concur, however, 50 generally, in the opinions which were expressed by the Government of

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former years that, all other conditions being favourable, the construction and management of these works should be undertaken mainly by the State. It is of paramount importance, however, that the works should be done, and if they are to be undertaken and vigorously prosecuted, I do not see
 5 how it is possible to dispense with the co-operation of private enterprise.

There has been another reason, I know, assigned why the Government should maintain works of this kind in their own hands. It has been said that it is not right to abandon the Natives to the mercies of Joint Stock Companies. For my part I am not pressed by the force of
 10 that objection. This country had for a century, until indeed the other day, been governed by a trading corporation, and I am not aware that the rule of the great Company which has passed away contrasted unfavourably either in generosity or humanity with the Government of the Queen. But whatever force may be attributed to an objection of this kind, I still
 15 recur to the overwhelming necessity of executing these works.—It is not a question merely as to who shall derive the enormous profits of these undertakings—whether they shall go into the treasury of the Government or the pockets of shareholders in Companies. It is a question of far greater magnitude, involving public health and the lives of the people.
 20 If that is so—and no man denies it—is it becoming that we should permit unnecessary delay in the prosecution of those undertakings for the sake of any financial reasons whatever? I am the last man to relinquish any available source of Revenue, and I am very sure that works of this class are capable of furnishing in future years ways and means which
 25 would greatly tend to diminish the anxieties of a future minister of finance. But there is an over-ruling necessity which peremptorily demands that these undertakings should not be neglected or delayed. We must not, therefore, discourage the co-operation of private Companies which can satisfy us that they can command the means and mechanical ability
 30 to construct such works. Even if it were possible for the Government to undertake an enterprise so vast as the construction of the whole of the Irrigation Works which India requires, I say we might still yield a very large portion to private enterprise, and retain what would be amply sufficient to occupy our time and our resources.

That being the case with regard to the question of agency, we have
 35 had another difficulty to encounter. We have had differences of opinion—differences very likely to arise between eminent Engineers—as to the mode in which these works should be carried out. I should rather say that there has been a conflict of opinion between two schools of Engineers
 40 on the subject. While that conflict was raging, it was difficult for an unskilled Government to take upon itself to pronounce an opinion. But steps have been taken to reconcile these conflicting opinions, and I am sure that the ability and zeal which actuate the professional men who have given their time and talents to projects of this magnitude may be
 45 relied on to remove minor causes of difference and to reach some practical conclusion, advantageous to the country, conducive to their own fame, and satisfactory to the Government.

There is a third hindrance which has also obstructed the progress in
 50 Irrigation Works, and that is a financial one. It is manifestly impossible to meet demands of this sort out of Ordinary Revenue, and therefore you must either fall back on your Cash Balances, which you cannot safely
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depend upon to yield enormous sums, or resort to a loan. The state of the money market in England, overwhelmed as it is by projects of every description, is not very favourable to Indian loans. But I am not without hope that well considered plans of Irrigation Works may prove attractive to Indian capital when I consider the vast results which have already been accomplished in this field of enterprise. At all events the experiment should be tried; and in no case can it be maintained that an Expenditure of some thirty millions presents an insuperable difficulty, or indeed a formidable obstacle, to the execution of designs more conducive to the prosperity of the country and the welfare of the people than any which the well-wishers of both have yet been able to realize.

I must not omit to mention a fourth difficulty which has hitherto stood in the way of these operations, and that is the condition of the labour market. Alarm has been felt in high quarters lest works of this magnitude should overtask the swarming multitudes of India, and that the ordinary demands for labour would be left unsatisfied by the competition to which they would be exposed. Such apprehensions were felt in England when the Railway system was introduced. I need hardly say that they were found to be futile; and though the conditions of the labour market in England are in some important particulars different from the conditions of the labour market in India, there are elements enough common to both to justify us in believing that, here, as in England, there is no cause for such alarm, and that the fear of overtaxing labour has been greatly exaggerated.

I have thought it my duty to state the reasons which have satisfied the Government that the mere fact of a small deficit is not sufficient to warrant new taxation. I hope those reasons will be found satisfactory. But I must not omit to mention that there is one very small tax—not indeed so much a tax as a fiscal arrangement—which I must ask you to sanction. There is at present a difference in price between Bombay and Madras Salt. The Salt Revenue in Bombay is raised by an ordinary excise duty. But in Madras the Government itself buys the Salt, and adds an amount of Revenue equivalent to the duty raised in Bombay. Now the cost price of the manufacture in Madras has increased by about three annas, while the price charged by Government remains the same, viz., Re. 1-8-0. The consequence is a difference of about three annas in favor of Bombay. We have thought fit, therefore, with the assent of the Madras Government, to make a small addition to the price of the Madras Salt, which will make the duty equivalent to that which is obtained in Bombay.

The financial result will be an additional Revenue of about £135,000, and that is the only tax which we propose.

Of course we are not in a position to propose any remission of taxation. But there is one article with which it is necessary to deal. Some years ago, Mr. Wilson expressed a hope that Customs Duty from Saltpetre, which then only paid a three per cent. *ad valorem* duty, might be made to present a respectable figure in the Revenue. That expectation has been wholly disappointed. The augmented duty was first fixed at two Rupees, and afterwards reduced to one Rupee a maund. Notwithstanding that reduction, the Indian article was found unable to compete with the new manufacture in Europe, and the trade in Saltpetre became

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and still continues in a very languishing state. It is not, however, desperate; and there is reason to hope that the manufactured commodity will not, in the long run, supplant the Indian article when relieved from the weight of taxation with which it is now oppressed. We propose therefore to repeal the duty of one Rupee per maund, and to restore the former
5 duty of three per cent. *ad valorem*.

These are the only changes which we propose to make. But the whole of the Customs Duties will undergo revision, with a view to the classification and re-adjustment of the Tariff. This, however, we shall
10 reserve for a future year.

APPENDICES.

GENERAL BUDGET

FOR THE

GENERAL ABSTRACT OF THE REVENUES AND
FOR THE YEAR FROM 1ST MAY

REVENUES AND RECEIPTS.	Actual, 1864-65.	1865-66.		1866-67.
		Budget Estimate.	Regular Estimate.	Budget Estimate.
CIVIL—	£	£	£	£
I. Land Revenue	20,095,061	20,217,495	20,066,200	20,254,300
II. Tributes and Contributions from Native States	681,144	722,350	690,600	683,750
III. Forest	351,757	383,000	414,300	462,740
IV. Abkaree (Excise)	2,224,036	2,335,320	2,271,700	2,309,000
V. Income Tax	1,281,817	551,140	671,900	10,000
VI. Customs	2,296,929	2,521,280	2,384,700	2,414,100
VII. Salt	5,523,594	5,782,880	5,396,200	5,533,260
VIII. Opium	7,361,405	7,723,600	8,638,800	8,500,000
IX. Stamps	1,972,098	2,053,500	2,024,900	2,000,660
X. Mint	377,859	461,640	438,500	409,800
XI. Post Office	962,333	370,180	357,450	391,220
XII. Telegraph	99,099	190,350	124,950	183,880
XIII. Law and Justice... ..	527,830	616,104	585,600	645,700
XIV. Police	148,166	223,590	182,600	236,900
XV. Marine	308,095	225,630	237,900	263,700
XVI. Education	50,353	53,625	55,300	59,150
XVII. Interest	247,624	232,401	239,200	255,840
XVIII. Miscellaneous	419,467	359,675	565,600	400,000
Army—Miscellaneous	735,567	850,000	678,740	760,000
Public Works—Miscellaneous	588,673	1,000,000	1,016,400	978,80
	45,652,897	46,873,760	47,041,540	46,752,800
Deficit	193,520	325,690	335,947	72,800
Total	£ 45,846,417	47,204,450	47,377,487	46,825,600

FORT WILLIAM;
 FINANCIAL DEPARTMENT,
 The 24th March 1866.

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ESTIMATE OF INDIA,

YEAR 1866-67.

RECEIPTS, AND OF THE EXPENDITURE OF INDIA,

1866 TO 30TH APRIL 1867.

GRANTS.	EXPENDITURE.	Actual, 1864-65.	1865-66.		1866-67.
			Budget Estimate.	Regular, Estimate.	Budget Estimate.
	CIVIL—	£	£	£	£
1	Interest on Funded and Unfounded Debt-	2,963,901	2,703,130	2,725,053	2,725,410
2	Interest on Service Funds and other Ac-				
	counts ...	297,360	498,690	526,108	461,830
3	Allowances, Refunds, and Drawbacks ...	257,613	242,960	418,730	248,720
4	Land Revenue ...	1,903,292	2,044,626	2,008,225	2,058,570
5	Forest ...	187,321	251,991	248,989	300,450
6	Abkaree (Excise) ...	228,090	260,822	267,721	237,200
7	Income Tax ...	35,065	18,281	15,372	.....
8	Customs ...	207,064	190,624	195,157	197,950
9	Salt ...	313,404	342,613	345,463	344,240
10	Opium ...	2,368,666	1,946,479	1,935,670	1,762,940
11	Stamps ...	77,581	82,924	81,471	86,990
12	Mint ...	157,468	122,404	151,609	139,600
13	Post Office ...	426,456	425,925	432,886	455,830
14	Telegraph ...	261,028	434,092	351,698	406,840
15	Allowances to District and Village Officers	595,094	533,240	410,406	414,010
16	Administration and Public Departments	985,983	1,071,830	1,080,310	1,066,730
17	Law and Justice ...	2,243,055	2,494,309	2,439,018	2,007,790
18	Police ...	2,361,011	2,436,836	2,395,770	2,435,330
19	Marine ...	571,627	522,291	536,495	469,690
20	Education, Science and Art ...	530,249	619,889	660,549	763,230
21	Ecclesiastical ...	148,854	156,678	159,724	159,160
22	Medical Services ...	245,680	285,638	281,883	308,440
23	Stationery and Printing ...	123,346	148,902	139,064	154,530
24	Political Agencies and other Foreign Ser-				
	vices... ..	240,648	193,157	192,363	201,720
25	Allowances and Assignments under Trea-				
	suries and Engagements ...	1,675,037	1,685,109	1,910,542	1,896,540
26	Miscellaneous ...	402,066	352,147	387,373	362,700
27	Superannuation, Retired, and Compassion-				
	ate Allowances ...	909,425	665,147	686,626	679,240
	ARMY ...	13,181,957	13,406,427	13,568,630	13,181,210
	PUBLIC WORKS—				
	Public Works ...	4,329,726	5,376,509	4,774,540	5,770,000
	Supervision, and cost of Land for Rail-				
	ways. ...	394,846	207,425	846,920	391,600
	Loss by exchange on Railway Trans-				
	actions ...	146,043	171,215	121,240	233,130
	Income Tax Grant. ...	250,000	110,000	110,000	...
		39,018,871	39,998,310	39,908,700	40,521,720
	Expenditure in England heretofore includ-				
	ed in the Indian Accounts, viz. :—				
	Stores ...	433,349	488,750	1,071,570	748,350
		39,452,220	40,487,060	40,980,270	41,270,070
	Guaranteed Interest on Railway Capital				
	less net Traffic Receipts ...	1,591,797	1,234,000	1,063,000	533,330
		41,044,017	41,721,060	42,043,270	41,803,400
	Net Expenditure in England (Home				
	Charges) ...	4,802,400	5,493,390	5,334,217	5,022,200
	Total ... £	45,846,417	47,204,450	47,377,487	46,825,600

E. E.

E. H. LUSHINGTON,

Secretary to the Government of India.

[1866-67.]

STATEMENT of Cash Balances in the Indian Treasuries on the 30th April 1867.

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RECEIPTS IN INDIA IN 1866-67.	BUDGET ESTIMATE. £	DISBURSEMENTS IN INDIA IN 1866-67.	BUDGET ESTIMATE. £
Revenues	... 46,752,800	Expenditure in India	... 41,270,070
Debt (Receipts on account of)	... 11,149,240	Deduct—	
Recoveries in India of Payments in England :—		Stores from England, &c., included in above	... 868,751
Funds, Family Remittances, &c.	... 1,494,249		40,401,319
Net Railway Earnings	... 2,566,667	Debt (Payments on account of)	... 10,512,303
Estimated Cash Balance on the 30th April 1866 ...	... 12,859,366	Payments in India on account of England :—	
		Railways	... 6,131,042
		Irrigation and Canal Company	... 32,000
		Other Payments	... 199,360
		Remittances in England on account of Payments for India :—	
		Guaranteed Railway Interest	... 3,100,000
		Other Payments	... 4,889,639
		Unadjusted amount between Presidency and Presidency ...	... 100,000
		Estimated Cash Balance on the 30th April 1867 ...	... 10,506,659
	<u>£74,822,322</u>		<u>£74,822,322</u>

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 24th March 1866.

E. E.
E. H. LUSHINGTON,
Secretary to the Government of India.

Home Charges in 1866-67.

DEBT.		£	£
Dividends to Proprietors of East India Stock ...	...	629,970	
Interest on Loans contracted in England ...	...	1,271,730	
TOTAL DIVIDENDS AND INTEREST ...		.....	1,901,700
CIVIL.			
Charges, General, Home Establishments, &c. ...	...	176,700	
Amount payable under the Postal arrangement ...	...	46,000	
Red Sea and India Telegraph—Charge to India ...	...	18,000	
Indo-European Telegraph ...	...	5,000	
Mission to the Court of Persia—Charge to India ...	...	12,000	
Her Majesty's Establishments in China—Charge to India ...	...	18,800	
Pensions and Retired Allowances ...	...	234,000	
Furlough and Absentee Allowances ...	...	82,000	
Miscellaneous, including India Office, site and building ...	...	236,200	
TOTAL CIVIL CHARGES ...		.....	828,700
MILITARY.			
EFFECTIVE CHARGES.			
Imperial Government for Troops serving in India	650,000		
Ditto on account of cost of education of Officers and Cadets ...	10,100		
Passage of Troops ...	116,300		
Passage and Outfit of Officers ...	52,900		
Allowances and passage to India of Assistant Surgeons on appointment ...	7,600		
Furlough Allowances ...	188,000		
Construction of Vessels for conveyance of Troops between this Country and India ...	222,700		
TOTAL EFFECTIVE CHARGES ...		1,246,700	
NON-EFFECTIVE CHARGES.			
Imperial Government for Troops serving in India	227,500		
Retired Pay, including Colonel's Allowances ...	760,000		
Pensions, Lord Clive's Fund ...	124,000		
TOTAL NON-EFFECTIVE CHARGES ...		1,111,500	
TOTAL MILITARY CHARGES ...		.....	2,358,200
MARINE.			
Pensions and Retired Allowances, Indian Navy and Bengal Pilot Service ...	...	57,000	
Furlough Absentee Allowances ...	...	1,600	
TOTAL MARINE CHARGES ...		.....	58,600
TOTAL CHARGES IN ENGLAND ...		.....	5,147,200
<i>Deduct—</i>			
Miscellaneous Home Receipts ...	...		125,000
NET EXPENDITURE IN ENGLAND ...			5,022,200

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LOCAL FUNDS.

	Balance on 1st May 1864.	RECEIPTS.			CHARGES.			BALANCE ON		
		1864-65. Actuals.	1865-66. Estimated.	1866-67. Estimated.	1864-65. Actuals.	1865-66. Estimated.	1866-67. Estimated.	30th April 1865.	30th April 1866.	30th April 1867.
		£	£	£	£	£	£	£	£	£
Govt. of India	12,493	13,504	12,273	15,557	15,834	12,606	15,401	10,163	9,830	9,986
Oude	104,212	119,054	102,700	102,700	130,852	100,300	100,300	92,414	94,814	97,214
Central Provinces	57,027	144,435	94,648	140,200	142,993	99,774	133,700	58,469	53,343	59,843
British Burmah	63,461	85,538	84,540	78,493	74,888	41,060	92,340	74,111	117,591	103,744
East and West Berar	72,691	99,082	84,614	108,056	117,001	97,604	121,425	54,772	41,782	28,413
Bengal	331,472	504,524	480,586	505,999	706,451	603,072	524,398	129,545	7,059	Deficit 11,940
N. W. Provinces	278,227	524,447	498,595	559,665	502,291	521,607	537,200	300,363	277,370	249,836
Punjab	184,219	257,481	240,171	225,793	260,055	289,322	292,658	181,645	132,494	65,629
Madras	96,776	172,699	158,133	175,592	146,218	185,472	198,236	123,257	95,918	73,274
Bombay	426,037	530,395	378,107	416,974	235,744	350,396	306,320	720,688	748,400	859,053
TOTAL	1,626,615	2,451,159	2,134,367	2,329,029	2,332,327	2,301,213	2,371,978	1,745,447	1,578,601	1,535,652

FINANCIAL STATEMENT

BY

THE RIGHT HONORABLE W. N. MASSEY.

MARCH 5th 1867.

The Statement which I have to make in submitting to the Council the annual exposition of the revenue and expenditure of the country comprises three separate accounts, namely, the ascertained balance of the year which has last expired, the estimate, partly founded on ascertained figures of the current year, and the estimates with the provision of ways and means for the service of the year next succeeding the present year. The two latter estimates are always subject to disturbing agencies which do not affect the financial systems of other countries, or do not affect them in the like degree. The Government of India is charged with the general superintendence of five great subordinate Governments and three minor Administrations. It is no easy matter to exercise a political control over distant dependencies ; and the difficulty of such control is greatly increased when you have to supply and regulate the expenditure of these several States, varying as they do in the extent of their territory, in the races by which they are inhabited, in their social and commercial progress, and in every element which goes to constitute a fixed guide and criterion in determining according to European ideas the scale of expenditure suitable to each particular province. Accordingly we are compelled to concede a wide and practically an unlimited discretion in such matters to the Local Governments and Administrations, who are themselves forced to grant a large measure of license to distant ministerial officers. Thus we have not one Budget to deal with, but eight local Budgets complete in all their parts; and over neither one of these eight Budgets has the Supreme Government that control which is necessary for the purpose of finance. In addition to these difficulties the financial administration of Her Majesty's Indian Empire is further involved by the separate treasury and separate accounts which are necessarily maintained by the Secretary of State, and over which the Indian Government has of course no control whatever. I make these observations for the purpose of explaining to the Council that they must not expect from my statements,

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or from the statement of any successor of mine under similar circumstances, anything more than an exhibition of Indian accounts, which shall approximate to the truth. The very first statement which I have to make is a singular illustration of these remarks. In March last, a few weeks
 5 before the close of the financial year, I was advised that a deficit of £336,000 would represent the state of the accounts of that year. The actual result has been a surplus of £2,800,491. You will readily understand that a considerable portion of this astounding discrepancy is attributable to the precise method of accounting which has been adopted with
 10 so much benefit, in pursuance of the recent report of the Commissioners of Account and Audit. In fact upwards of a million of the sum which I have named is disposed of in the adjustment of the Registers of the Loan Department, and the General Books of the Government of India on the transfer of the management of the Public Debt to the Bank of
 15 Bengal. According to the new Budget system, it is necessary that these debits and credits should be passed through the account of Income and Expenditure, but they represent no real transaction, and are strictly matters of account, terminating in a nominal credit to the Government of £1,028,189. But the remainder, or £1,772,000, is for the most part
 20 substantial, being made up in nearly equal proportions of short expenditure and the recovery of arrears of revenue. Thus the home expenditure turned out to be less by £350,000 than the estimate, and of the large amount of £1,071,000 set down for stores, less than one-half has been spent, the saving being £566,000. Again £937,000 appear to the credit
 25 side from a payment of that amount of Railway Traffic earnings in the Bombay Presidency which had been retained in deposit in Private Banks by the Railway Boards, contrary to the terms of the contract which require the prompt payment of the gross earnings into the Civil Treasuries, which payments have latterly been regularly made by the Railways in the
 30 two other Presidencies. This sum of £937,000, of which no account had been rendered when the Regular Estimate of last year was framed, has *pro tanto* reduced the charge for guaranteed interest, and accounts for the difference between the estimated cash balance and the actual cash balance at the close of last year.

35 With these explanations, I leave the accounts of 1865-66.

When I come to the Regular Estimate for the current year I have
 40 a more difficult task, for I must present it to you in an incomplete form, in consequence of the change which has taken place in the official year. Soon after the Financial Statement had been made last year, the Government was desired by the late Secretary of State to make provision if possible for the submission of the Indian accounts at such a period as would enable the House of Commons to take them into consideration at an earlier period of the Session than was practicable under the then existing arrangement. The result was that we proposed to close the accounts of the year
 45 on the 31st of March instead of the 30th of April, and this arrangement was assented to by the Secretary of State. In comparing, therefore, the Regular with the Budget Estimate, the Council will bear in mind that I have to compare an estimate which was made for 12 months with an estimate for a year which is to terminate in 11 months. It has been found extremely
 50 difficult to frame a sub-estimate of the proportion of outlying income and charge which are to be assigned to the missing month; and therefore it
 1867-68.]

would be fallacious to rely upon the broken transactions of a mutilated year as representing accurately the financial results of a complete year. Notwithstanding the various depressing influences of the present year, it is satisfactory to state that with four exceptions the estimates of March last have been well maintained under every head. The Land Revenue, 5 although we have remitted £107,665 chiefly on account of Orissa, exceeds the estimate by £10,835, credit being taken for the month of April of which we are deprived. In Excise there is a small increase, and the Salt Revenue for 11 months is better than the estimate for the year, owing partly to larger sales of Government stock in Bengal; but as these in- 10 creased sales have not been attended with diminished imports, the flourishing state of this branch of the revenue is an indication of the well-being of the mass of the people. On the other hand, the stagnation of trade has manifested itself in the falling off of the Customs returns to the amount of £135,868; while a deficiency in the Mint receipts of £140,200 15 is chiefly attributable to a falling off in the coinage of copper in consequence of the ample supplies of specie with which the Treasuries are stored. But the short receipts occur mainly under Opium and Public Works. These two heads alone account for more than two millions of the deficit; but of these two millions I shall shew you that the greater 20 part is nominal. The difference between the Budget Estimate and the Regular Estimate of the Opium Revenue is £1,624,300. From this must be deducted £692,284 for the estimated amount of the sales in Bengal and the passes to be taken out in Bombay in the month of April, which are not included in consequence of the new arrangement in the 25 present financial year. From the £932,016 which remain must be made a further reduction of £691,600 in respect of 5,320 chests, which though included in the estimate have not been brought forward in consequence of their being in excess of the number which the Government had announced for sale during the current year. Deducting these figures, there- 30 fore, namely the sum of £692,284 for Opium which will be realized in the first month of the next financial year, but which properly belongs to the last month of the current year; and a sum of £691,600 which we have failed to realize owing to the inadvertence which I have mentioned in the preparation of the Budget Estimate; the balance £220,416 repre- 35 sents the actual difference between the estimated proceeds and the sale of the Bengal drug. My estimate was Rs. 1,300 per chest; but the sales have yielded an average only of Rs. 1,248. To this difference of £220,416 must be added about £20,600 on account of a slight falling off in the passes taken out at Bombay. 40

The fourth and last head of revenue which is deficient is Miscellaneous Public Works, the receipts from which will be less than the estimate by about £520,000. But this amount also is nominal. Of £460,000 which we had expected to obtain from the sale of lands in the Island of Bombay we have realized nothing, the sales having been postponed to a 45 more favorable season. This figure in fact represents a debt of which we have not received payment, as we expected, but for which we hold ample security. The remaining £60,000 is accounted for by the correction of an error in the Budget Estimate of Bombay. Regular Estimate is, therefore, really less than the Budget Estimate by £135,868 under Customs; 50 by £140,200 under Mint, and by £240,416 under Opium; in the whole by £516,484.

These figures are used only for the purpose of showing that the falling off in the revenue during the year has not been considerable; and that the failure, such as it is, has, with the single exception of the Mint, been confined to those sources which are necessarily affected by a season of commercial distress. The expenditure on the other hand shews an increase under every head. Guaranteed interest exceeds the estimate by £409,584, owing partly to the exclusion of the April accounts, and partly to the reduction of Railway receipts and increased expenditure caused by the interruption of the traffic on the Bengal and Bombay lines by the floods of last year. The Home charges are increased by £581,126 on account of the new transport ships and stores for India. It was intended that this service should have been provided for by a loan, and that one-twenty-fifth part of the loan should be repaid annually. A Committee which was appointed to report on the whole subject, including the requisite financial arrangements, properly assumed in their report that this capital charge of above one million sterling should not be written off in full against the income of the years in which the money might be disbursed, but should be spread over twenty-five years, by annually debiting income with only one-twenty-fifth part of the whole outlay.

Eventually, the money was provided from the Cash Balance, instead of being borrowed. Had the original intention been adhered to the annual charge for the vessels for the Overland Transport Service would have been £43,041 instead of the large capital charge which has been spread over a period of only 3 years.

If to these charges we add £193,989 to the Army Estimates; £66,902 for the purchase and repair of ships and placing additional vessels in commission in Bombay; and £50,000 to the Nizam in part payment of the balance due to His Highness under the treaty, on making up the accounts of the "Assigned Districts," the principal augmentations of charge will have been noticed.

The sum total of expenditure for the 11 months which comprise the current financial year will be £44,307,777. The receipts for the same period will be £41,912,530, the result being a deficit of £2,395,247.

This deficit as I have shewn is produced in nearly equal portions by excess of charge and failure of receipt. We have realized £691,600 less than the estimate of the opium sales on account of 5,320 chests which we were precluded from bringing to the hammer, and we have lost £240,416 from deficiency of prices; being a total of £932,016. Add to this £276,068 for falling off in Customs and Mint. On the other side, the expenditure as I have shewn is to about the same extent in excess of the estimate. Large as the deficit may be, and it is impossible owing to the exceptional curtailment of the year to state the figure with more than an approximation to accuracy, it loses much of its formidable character when we consider that it is produced by causes in no degree affecting either the stability of our resources, or indicating a permanent augmentation of expenditure. And we derive further consolation from the state of our cash balances. According to my estimate in March last, we should have entered upon the present year with a balance of £12,859,366. But our balance on the 1st of May was £13,771,625, being £912,259 better than the estimate. This addition together with the loan of £600,000 raised in January will increase the amount at which I stated 1867-68.]

the cash balance for the close of the current year by £625,474. Notwithstanding the adverse state of the balance sheet we shall close the year with £11,132,133 instead of £10,506,659, the estimate of last March.

The year about to close has been one of great adversity. Disaster and discredit almost unparalleled in their extent and duration have prostrated commercial enterprise not only in this country but in England, where every interest, excepting always the irrepressible public revenue, has suffered more or less, and is suffering from similar causes. We may congratulate ourselves, however, that India with one notable exception has weathered the storm without suffering much more damage than has been caused by the temporary cessation of the steady progress she has been making for some years. Trade is stagnant and confidence has been checked; but the commercial honor of the country is untainted; and credit, though sharing in the general depression, is not, I trust, substantially or permanently impaired.

The exception to which I have referred is of course Bombay. But the ruin which has befallen Bombay is strictly exceptional and local. The crisis which has affected all commercial enterprise has precipitated her fall; but that fall was inevitable, though the surrounding atmosphere had been one of unclouded prosperity. Bombay, however, has suffered and has repented. She has great natural advantages, and is rapidly augmenting those advantages by means of the converging lines of railway which will convey a large share of the wealth and trade of India to her port. She still numbers among her merchants many men of ascertained position, men of honor, and men of business; and if bitter experience can ever be of any avail in teaching a practical lesson, the banking business and commercial enterprise of Bombay will for the future be something better than mere gambling speculations.

Sir, I have spoken of commercial depression, from which India has suffered in common with England and other parts of the world. But during the past year India has been afflicted with a calamity far more grievous than any form of commercial disaster. A whole province has been desolated by famine, and other districts have partially suffered by a similar visitation. I need not dwell upon a topic which has been uppermost in the public mind of this country for many months. I am almost ashamed to mention it in connection with balance sheets and estimates; but as a matter of fact, I am bound to notice the famine as prominent among other causes which have had an unfavorable effect on the finances of the year.

I now proceed to lay before you the estimates for the year which is about to commence. But before I enter upon this statement, I must advert to a change which has been recently adopted in dealing with one of the most important and the most interesting branches of our expenditure. I mean that portion of the grant for Public Works which relates to what are stated in the Accounts as Agricultural Improvements, but which are better known by the description of Irrigation Works. The progress of these undertakings has been hitherto retarded by various causes, some of which I took occasion to notice in my Financial Statement last year. One of them, the conflict of opinion as to the best mode of planning these vast and costly works, has been in a great measure removed by the able and comprehensive Report of the Committee on the Ganges

Canal, appointed by His Excellency the Viceroy in the early part of last year; and the conclusions arrived at by the majority of the experienced Engineers who framed that Report have been adopted by the Government of India with the concurrence of the Secretary of State. If any doubt
5 has hitherto existed as to the expediency of engaging in great and extensive schemes of Irrigation, that doubt has been completely dispelled by the lamentable events of the last year. There can be no deliberation in dealing with famine; and the issue forced upon the Government has been not whether it shall engage in speculations which may yield an
10 uncertain profit, but whether whole districts of the country shall be exposed to a periodical depopulation for want of those preventive measures which human power can command. Irrigation, Sir, in India, is the great question of the day, as the repeal of the Corn Laws and Unrestricted Commerce were the great questions in England in days gone by; but all
15 that the repeal of the Corn Laws and Free Trade have done for the people of England, and much more than all, will be done for the people of India by works which will fertilize their fields, and place their means of subsistence beyond the reach of accidents, which indeed are not so much accidents as events of ordinary and almost regular recurrence.

20 Sir, I have said that this question should not be considered mainly as one of profit and loss. Assuredly it should be taken up on far higher grounds. Nay, even if it were certain that the twenty or thirty millions of money which from first to last will be required by these operations
25 would yield no return, the State would still be bound by the highest sense of duty to undertake them. But, so far from Irrigation schemes being unremunerative, the reverse is the admitted fact, and the Government have been blamed for the jealousy with which they have been supposed to exclude private companies eager to enter upon a field of such profitable enterprize. At the same time, I am not sanguine in my expectation of
30 large returns upon the whole of these undertakings. Making allowances for the money which will be wasted, and for the mistakes which will be made in the construction of works of such magnitude, and of which our experience is imperfect, I do not calculate upon obtaining for many years to come much more than will cover the interest and sinking fund of the
35 capital invested, and I shall be content to leave it to some unborn successor of mine to congratulate the Council upon being in a condition to defray any considerable portion of the public charge from the profits of reservoirs and canals. But whether these works are to be profitable or unprofitable, we have resolved to undertake them without delay, and on a
40 scale as large as our immediate resources in skill, labor, and materials will permit. Money will not be wanting to any amount that may be required, but a large and sustained expenditure for an extraordinary service such as this cannot be provided out of ordinary revenue;—I say we can no longer be dependent on the resources from which Irrigation
45 works have hitherto been supplied. Our surplus years are few and far between; and our Cash Balances are not more than sufficient for the ordinary demands of the public service. We have resolved, therefore, with the hearty approval of the Secretary of State, who has enjoined the Government to spare no means for the furtherance of this great object, to make special provision for this branch of public works. From henceforth,
50 therefore, the estimate for Irrigation works will be removed from current 1867-68.]

account to Debt, in other words the annual charge for the construction of canals, reservoirs and other works of this class will be provided for by loans, and the interest of these loans only will be charged to the expenditure of the year. The amount which will be required during the ensuing year for distribution to the Local Governments on account of Irrigation works does not exceed £700,000. I wish it were double or treble that amount, but hasty preparations for large expenditure on such projects would be ill made; in addition to this sum, an outlay may be required for the commencement of the great works for utilizing the waters of the Soane. This project, for which the plans and estimates have long since been completed, has been delayed by negotiations with the East India Irrigation Company, who undertook the work but who pressed for the concession of a still more extensive scheme. It is doubtful if the Company in the present state of the money market will be able to fulfil their contract; but in case they should fail, the Government are ready and willing to proceed with the work. While I am on the subject of loans, I may as well add that we have discontinued the advances which have hitherto been made for special works in the town and island of Bombay against the proceeds of the land sales in the island. The sales having been suspended for the present on account of the total cessation of speculative enterprise, it is no longer possible to balance these transactions within the year; but as we were unwilling that the works at Bombay should be discontinued, we lately borrowed £600,000, and intend to borrow £400,000 more in the ensuing year that the works may not be interrupted. We are also in correspondence with the Government of Bengal on the subject of an advance to the Municipality of Calcutta of a sum of £520,000 in three years to enable them to proceed with the water works so necessary for the health of the town. Altogether, we shall probably borrow to the extent of £2,000,000 during the year 1867-68. Works of great public utility will thus be promoted without any strain upon the revenue and the cash balances will be kept full.

The only other alterations which have been made in the accounts are the removal from the balance sheet of Revenue and Expenditure of the estimates for the Straits Settlements, which will be detached from the Government of India at the commencement of the financial year, and also of the estimates for the East and West Berars. As the revenues of these districts commonly called the Assigned Districts like the revenues of Mysore are collected and administered in trust for the Native Government they have properly no place in the Indian accounts.

The expenditure for the coming year will exceed the estimates of the year about to expire by £515,032, the difference between considerable additions to and large deductions from charge. This increase is chiefly accounted for by special and temporary charges, and though part of it is nominal owing to transfers, there remains with the exception of opium a steady increase under almost every head of service. I need not trouble the Council by explanations on those items in which the variation either one way or the other is caused by transfers in account; nor will I dwell on petty details; but merely refer to those points which require special notice. The interest heads shew an aggregate increase of £350,000, partly accounted for by interest on the new Debenture Loan of £600,000; by interest on the assets of prize money; by interest payable to the Rail-

way Companies, in accordance with a recent arrangement by which the companies are allowed interest on their balances of net Traffic Receipts; and by a provision of half a year's interest on the projected loan of two millions for reproductive works, and works chargeable to the Bombay Special Fund.

The increase of £117,753 under Land Revenue is due partly to the transfer of petty charges from the Public Works Department, but mainly to increased salaries to Deputy and Assistant Commissioners, Oudh, North-West Provinces, and Punjab. The cost of the Telegraph Department is necessarily augmented by £113,688 on account of the Indo-European Line, the receipts of which are credited to the Revenues of India. The charge for Law and Justice exceeds the former estimates by £271,914, the greater part of which is caused by the improved salaries of Uncovenanted Judges, and ministerial officers in the three Presidencies; and a portion is due to stores supplied to the Convict Department at Port Blair. The advance of £59,448 under Police is caused by the organization of a body of Railway Police and the repairs of Police stations formerly charged to the Public Works Department. An extra expenditure of £94,599 occurs under Marine in consequence of new ships having been put in commission in Bombay, and of services to the Indo-European Telegraph. The head of Education, Science and Art as usual shews a steady progress. The increase next year will be £72,000; but as this increase is chiefly on account of grants-in-aid, and thus represents the efforts of the public to promote the cause of education, the additional charge will be a subject of congratulation rather than otherwise. I do not know that I can say so much for an increase of £106,885 which appears under the next head of the account, Allowances and Assignments under Treaties and Engagements. The pecuniary embarrassments of Prince Azim Jah, together with the question of making a permanent provision for the future maintenance of His Highness in a position suitable to his rank, have frequently been under the consideration of Parliament and Her Majesty's Government. The result is that it has been determined to assign £150,000 for the payment of the Prince's debts, and to provide an additional annual allowance of £15,000 which will be distributed with His Highness' concurrence in such proportions as appear best adapted to secure the future dignity and independence of the Prince and his family. I have only to notice one other head, that of Miscellaneous, which contains an item of melancholy import. The Government will advance next year £410,000 for the purchase of grain for the population of Orissa. Of this sum of £410,000, it is estimated that £260,000 will be recovered; and the balance £150,000 represents the difference between the price at which the grain will be bought and the price at which it will be sold, and this difference is charged to Revenue.

The Army Estimates call for no particular remark. Comparing Budget Estimate with Budget Estimate (for comparison between the Budget Estimate and the Regular Estimate for 11 months would be quite impracticable), there is a saving of £520,904, which is accounted for by the removal of the charges for the Berars and the Straits, and transfers of charges for Beer and Rum to the Home Accounts, and by leaving out the estimate for freight for the Reliefs who will henceforth be conveyed by the new Steam Transports.

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The result of these figures and of others which I have not noticed in the general statement is an aggregate increase, as compared with the Budget Estimate of the current year, of £515,032.

But before I leave this part of the subject, I will notice the special charges by which the expenditure of the ensuing year will be exceptionally increased. There will first be £240,000 for Transport-ships, £165,000 in payment of the debts and provision for Prince Azim Jah, £150,000 loss on the sale of grain in Orissa, and Land Revenue remitted to the amount of £30,000 on account of the famine; the whole amount being £585,000. 5 10

I need not trouble the Council in detail with observations on the majority of the items on the Receipt side of the sheet. Land Revenue shews the ordinary rate of progress. There is a falling off indeed on a comparison of the Budget figures of the present year and those for 1867-68 of £200,000, but excluding the Eastern Settlements and the Berar's 15 there is in fact an improvement of the revenue to nearly that amount, notwithstanding the remission in Orissa. Some of this improvement is due to waste lands brought into cultivations and to enhanced rents in Madras and Oudh from revised settlements. In Madras there is also an improvement of £93,000 in Abkaree Receipts. 20

Upon the next item, that of Customs, I must trouble you at greater length.

The Council are aware that the Customs Tariff has been revised by a Committee with a view to the better classification of the articles, to a re-adjustment of value and charges, and to the removal of duties not 25 so valuable to the revenue as they may be obstructive to trade. The Committee have prepared a new classification which renders the Tariff far more simple and intelligible than it is at present. Instead of enumerating certain articles which shall be free, and leaving every other article subject to duty, the Committee have adopted the opposite plan of enu- 30 merating the articles which are to pay Custom duties, every article not enumerated being free. Such is the mode in which the English Tariff is framed, and though its adoption in this country may be attended with some small loss of revenue, that sacrifice is compensated by the liberation of commerce from petty charges, which though they may not be grievous, 35 are vexatious, and obstructive to the transactions of business. But the Committee propose more important changes. They have removed from the column of charge upwards of 40 articles, leaving only 97 articles further reduced to 65 classes of articles upon which duty is in future to be collected; and they abolish export duties on 88 articles, retaining 40 9 classes of articles only on the export list. The amount of revenue which will be lost by this large remission of duty is £122,000, but this includes a sum of £76,000 formerly paid by saltpetre, though from the decay of the trade this product has not lately yielded any appreciable revenue. The loss of revenue, therefore, properly attributable to the 45 reduction of the Tariff recommended by the Committee does not exceed £16,000, adding to which £16,000, the amount of import duty given up, the loss is about £62,000, but adding £76,000 for saltpetre, the Customs revenue is diminished by about £140,000 a year. As a compensation for the loss, the Committee suggest that the export duty on grain, which 50 is at present 2 annas a maund, should be increased; and they point out

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that every anna of additional duty would yield £160,000. This measure is urged by the Committee not only as a legitimate mode of improving the revenue, but also on the ground of its tendency to check the exportation of a staple article of food at a time when a large portion of the population have perished by famine, and while the survivors are still on the brink of starvation. High authority besides that of the Committee may be cited in support of this view. In 1857, in the prospect of scarcity, a prohibitory duty on the export of grain was proposed in the Legislative Council with the concurrence of the Board of Revenue. This extreme measure, however, was not adopted; but in the year 1859, the duty was raised from half an anna to two annas per maund; yet so far was this increase of duty from checking the export trade, that the exportations of rice increased in the following year from five millions to eight millions of maunds, and went on increasing for several succeeding years. It was only during the last year and the present year when prices rose so high as to make the home market more remunerative than the foreign, that the export trade declined. We disclaim, however, the policy of putting a duty on grain for the purpose of keeping it at home during a period of scarcity. Even if such a policy were a sound one, nothing short of a prohibitory rate would suffice to carry it into effect; and certainly it is not our intention to propose anything of the kind. On the contrary, the only question which we have considered has been, whether a moderate increase of the duty for the benefit of the revenue would interfere with the export trade, and for the reasons which I have mentioned, we have come to the conclusion that no such consequence would ensue. We propose, therefore, to raise the export duty to 3 annas per maund, which will add about £160,000 to the revenue derived from this source.

The Committee also recommend an alteration of the Wine Duties, by which the present uniform duty of one rupee the gallon shall be increased, with reference to Champagnes and sparkling wines of the more costly growths, by 8 annas or fifty per cent., and shall be decreased in the same proportion upon Clarets and the lighter class of wines. A differential duty in favor of this latter class of wines was adopted in 1863 without any other result than a proportional loss of revenue, the quantity and value entered for consumption under the reduced duty being nearly the same as under the higher rate; the whole amount of the remission was in fact transferred from the coffers of the State to the profits of the foreign grower or dealer without benefiting the consumer in the least degree. I see no reason to suppose that any other result would follow from a further remission of the duty; and if any change were to be made, experience points rather to the restoration of the former rate than the reduction of the present; but we propose to leave the duty on light wines unaltered, and to adopt that part of the proposal of the Committee which increases the duty on the more expensive wines. In one particular, the proposals of the Government are in advance of the recommendations of the Committee: we have placed machinery, and the component parts of machinery, on the Free List. The revenue derived from this source is about £5,000 a year, and is an increasing revenue; but the difficulty of discriminating between machinery for agriculture, railway, and other purposes, which is exempt from duty, and machinery of a different

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description which is subject to duty, has given rise to so many questions in the Custom House, that we have thought it better to give up the taxation of articles which, whatever their description may be in the Tariff, are all imported for purposes more or less conducive to the material prosperity of the country.

There is only one other remark which I have to make before quitting this branch of the subject. It relates to the important articles of Cotton Piece Goods and Twists. We retain the existing rates of 5 and 3½ per cent. *ad valorem*; but the valuations have been reduced to correspond with the present state of the market. Considering, however, the present uncertain and fluctuating condition of the trade, the Committee, with the concurrence of the Chambers of Commerce, have recommended that these values shall be re-adjusted when the result of the American Cotton Crop of the present year shall become known. I need scarcely say that the Government concur in this view.

Notwithstanding however that the result of the recommendations of the Committee, as they have been modified by the Government, is a balance in favor of this branch of the revenue, the receipts from Customs for the next year will shew a decrease of £56,970, chiefly attributable to the depression of trade: an estimate which we hope may be eventually reversed.

Salt is increased by £544,770 chiefly in Bengal and Bombay in consequence partly of increased consumption and partly of sales of home made salt in store.

I have estimated Opium at Rs. 1,150 a chest. I am told that this estimate is too low; and I am referred to the price of the day and the rising tendency of the market. But the price of the day is no criterion for the estimate of a year. When Sir C. Trevelyan took Rs. 850, the price which had been realized by the last preceding sale, he based his estimate on a price which was exceptionally low; if I had taken Rs. 1,500 in March last, which was the price realized in that month, I should have taken a figure which was exceptionally high. Whether I take the price high or low, the market is in nowise affected by my estimate; but if I adopt too high a figure, my provision of ways and means for the service of the year is materially affected, and all my calculations are thrown out of gear. The principle which I have taken for my guide is this: I have taken out the average of the prices of each of the last four years; and putting these averages together I have taken the average of the whole. By this process, I arrive at the figure 1,131. I have estimated Opium at 1,150.

Our estimate of the Stamp Revenue has been increased by the amount which we expect to realize from the revised scale of institution Stamps, which has been for some weeks under the consideration of the Council, and will I hope shortly receive its assent.

The Committee which prepared the way for legislation on this subject by a most careful and searching investigation into the whole question, have estimated the addition to the revenue from the adoption of the revised scale at £680,000; but upon this point they do not pretend to offer any more than a very general and conjectural opinion. It is not improbable that the amount which the Committee have named may be reached, and even exceeded; but in calculating upon a revenue to be

derived from a resource so obscure and capricious as the litigation of India, we have thought it prudent to be very moderate in our estimate; and we have, therefore, limited our estimate of the increase of the Stamp Duties on this account to £500,000.

- 5 *Mint.*—There is still a decrease under this head of £96,560; representing the loss of profit derived from the coinage of copper, for which the demand is fully supplied.

Public Works.—The decrease of £498,800 from this source is wholly attributable to the exclusion of the accounts of the Special Fund at 10 Bombay from the Revenue accounts.

The Cash Balances at the close of the ensuing year will be £10,612,168, but this amount will be increased by any re-payments which the Railway Companies may make of the advances to the extent of nearly three millions which have been and will be made by the Secretary of State to prevent a suspension of the works on account of the 15 temporary difficulty of raising funds.

The final result of the comparison of the estimates of Revenue and Expenditure is an adverse balance, after taking credit for the new Customs and Stamp Duties of £1,057,522.

- 20 I should have wished if possible to have made up the deficiency of the revenue wholly by indirect taxation, and the equalization of the Salt Tax has been suggested from many quarters as an easy mode of balancing the account. It is no doubt true that an addition to the Salt Tax which would yield a considerable revenue might be easily levied with- 25 out any cost of collection, and it has been confidently asserted that such an addition would not be oppressive to the people, whose condition has been materially improved by the rise in the value of labor within the last few years. But the enhanced wages of labor have prevailed chiefly in the Presidency Towns and the surrounding districts, and have not ex- 30 tended to the great mass of the population upon whom the pressure of the Salt Tax almost entirely falls. The Customs and Excise duties on salt amount to $5\frac{1}{2}$ millions sterling; and if you leave out the Land Revenue, which is not so much a Tax as a rent, and the Opium returns, which are not paid by the people of India in any form, nearly one-third 35 of the revenue is drawn from the great mass of the laboring people whose wages on the whole have not risen beyond the rise in the cost of the necessaries of life.

We shall not, therefore, be tempted by the facility with which a large additional revenue would be raised by an increase of the Salt Tax, 40 so long as there are other classes of the community which do not bear their fair share of the public burdens. If we leave out the Land Revenue, which I repeat is more a rent than a tax, the people of India are no longer subjected to any form of direct taxation. But, though indirect taxation is the mode of raising the revenue most acceptable to the people of this 45 country, as it is to the people of every other country, and is so far the preferable mode, still there are classes which in India especially indirect taxation does not reach. The greater part of the Excise and a fair proportion of the Import Duties are drawn from the bulk of the population, upon whom the Salt Tax almost exclusively falls. The stamps, which 50 yield less than either Abkaree or Customs, mainly represent the profit which the State derives from the transactions of property and commerce.

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It would be idle to discuss the question whether the landholder contributes his just proportion to the public service. His contribution has been fixed by the terms of the settlement, and he cannot justly be subjected to any direct tax which does not equally include other classes of the community. For a similar reason, the Fund-holder cannot be singled 5 out. A tax upon public servants would be simply a reduction of salaries, a measure which is governed by considerations wholly distinct from those which determine the imposition or the assessment of a tax. But none of these objections apply to Professions and Trades. Taxes upon certain callings, occupations, and trades have long been established in the system 10 of English finance and yield nearly two millions a year; they existed before the Income Tax, and have been continued without abatement during all the changes which the Income Tax has undergone.

I will not weary the Council with statistical details. It is sufficiently shewn by the Income Tax returns that there are large classes of 15 persons engaged in lucrative occupations and trades who contribute little or nothing to the revenue. We propose to place a moderate duty on these classes in the shape of a License Tax. In 1859 a tax of this description, but on a very extensive scale—partaking in fact of the nature of a special Income Tax—was passed after much discussion in the Legislative Council, 20 but was never carried into execution, having been merged in the general Income Tax adopted by Mr. Wilson. A License Tax was subsequently enacted under the administration of Mr. Laing as auxiliary to the Income Tax, but was withdrawn after it had been partially collected, by reason of the improved state of the revenue. The License Tax which I shall presently 25 lay upon the Table is one of an exceedingly moderate character. Commencing at the point at which the Income Tax originally commenced, namely, Rs. 200 yearly, and terminating at Rs. 10,000, it is divided into five classes; the maximum assessment, that is the assessment on the lowest estimated income of each class, being 2 per cent. Joint Stock 30 Companies are placed in a separate class. Thus the tax upon the lowest class from Rs. 200 to Rs. 500 yearly will be 4 rupees; the highest payment by any person or partnership will be Rs. 200 yearly. The highest payment by any Joint Stock Company will be Rs. 2,000.

After the observations which I have made upon the position of public 35 servants with reference to measures of direct taxation, the Council will possibly not be prepared to hear that public servants are not to be exempt; or rather that they are to be subjected to the tax by special provision. I do not undertake to maintain that this part of the Bill is strictly in accordance with the principles on which it has been framed; but looking 40 back to the history of 1859, when Sir H. Harington's measure was nearly defeated by an opposition headed by no less a person than the Chief Justice on account of the exemption of the services; and considering that it would ill become the Government to insist on the exemption of its Officers from a public burden, if such a claim was questionable, we have 45 inserted a clause in the Bill providing that there shall be deducted from the salaries of public servants the amount of duty to which they would be liable if such salaries were derived from professions or trades. Following, however, a precedent in the Income Tax, all Military Officers under the rank of Field Officers, drawing pay and allowances not exceeding 50 Rs. 6,000 per annum, and employed exclusively on military service, shall

not be liable to the duty. Non-Commissioned Officers and Officers of Police are also exempted, as well as Subordinate Civil Servants drawing salaries of less than Rs. 1,000 yearly.

There is a clause in the Bill which empowers the Governor General in Council to exempt from the Tax any person who may be able to substantiate a claim to such exemption; and to suspend the operation of the Act in any part of India for which for local reasons it may not be just or expedient to enforce it.

These are the provisions of the Bill. We might by a multiplication of the classes have affected to make the distribution of the burden more equal; but while such an arrangement would greatly add to the cost of collection, it would give rise to infinite contention, and increase the discretionary power of the assessors to a greater extent than is desirable. It is difficult to estimate the produce of the tax; but upon the best information we can obtain, we have put it at £500,000. We might obtain double or treble this amount by a more comprehensive scheme of direct taxation; but to those who sigh for the restoration of an Income Tax, I can offer one inducement to accept the more limited measure which I shall have the honor to introduce. It does not compromise the policy of an Income Tax, or take up the ground which a tax of that description would cover. If, therefore, at a future period, the exigencies of the State should render it necessary to enlarge the area of direct taxation, you may either adopt a different scale of duties for the higher classes in the Schedule, or you may remove altogether the higher classes to the Income Tax, leaving the License Tax to operate on profits below Rs. 1,000.

I must add that the Government without giving a definite pledge does not propose that this tax shall form a permanent source of the Imperial Revenue. During the first year the duties will be collected and credited like any other tax; but in our opinion a tax of this nature is better suited to local purposes than to the general purposes of the State. We intend, therefore, in another year to transfer it, modified if experience should suggest such modification, together with a corresponding amount of charges of a local character, to the several Local Governments and Administrations. These local charges are the most unsatisfactory part of the Budget. We can exercise no control over them, for we know nothing about them; and we must either comply implicitly with the requisitions of the Local Governments, or take upon ourselves the responsibility of disallowing such requirements. In either case we may do mischief. On the one hand we may sanction an unnecessary charge which has been carelessly endorsed by the head of a Department who has no immediate interest in guarding against the waste of public money; on the other hand, by random parsimony, or by a parsimony regulated only by the state of the public revenue, we may check prudent and profitable expenditure. (We desire, therefore, that the Local Governments shall in future determine their own expenditure, so far as that expenditure concerns merely local objects; and that they shall provide the ways and means for themselves.) In the vast and various provinces which are united under the dominion of the Crown throughout the Continent of India, there are many sources of revenue which might be made available for local purposes, but which could not be used for Imperial objects without giving rise to just complaints of partial exaction, or even of breach of faith. I

have been during the last year in demi-official correspondence with the heads of the Local Governments on this subject, and from the frank communications which I have been permitted to hold with those eminent persons, I have no reason to apprehend any serious difficulty in effecting such a separation of responsibility as I propose; and it will be our 5 . endeavour to bring these arrangements to maturity before the close of the ensuing financial year.

Estimating the License Tax at £500,000 we have still to provide for £557,522, and we think this should be done without further taxation. In the estimate for Public Works, there is one conspicuous item which 10 covers one-third of the whole grant. I refer to the head of Military Works consisting chiefly of the new Barracks which are to be constructed at almost every Military Station in India, at a cost on the whole of nearly 11½ millions to be spread over five years. These extraordinary works commenced in 1865, at the close of the present financial year 15 upwards of £1,800,000 on account of these works will have been defrayed out of ordinary revenue. The estimate for 1867-68 after making all proper abatements is nearly 2 millions. In the following year we shall have to provide £2,800,000; and in 1869-70 £2,700,000 will be required to complete these great works. We might of course have lessened the 20 annual expenditure by spreading it over a wider space of time; but looking at the question on the mere ground of economy, without any regard to higher considerations, there can be no doubt that economy can be best consulted by making the earliest possible provision for the health and effectiveness of the army quartered in this country. I should have 25 preferred to go on as hitherto, defraying this charge, special and temporary as it is, out of the revenues of India. If a financier were to lay down any precise rule of separation between ordinary and extraordinary charge, there is scarcely a year in which he might not have a plausible pretence for transferring charge from revenue to capital account. I do 30 not know how long such a process might go on; but sure I am that it would end, sooner or later, in a collapse of public credit. Questions of this sort are practically to be determined not so much by rule as by circumstances. I must remind you that we have to propose new taxation this year. Are we still further to increase that taxation on account of new 35 Barracks? In other words, is all the cost to fall on the tax-payers of the day and all the benefit to be derived, without any other cost than the annual repairs, by the tax-payers of 1870 and future years? We think we are not warranted in extending taxation for such a purpose, and that we shall fulfil our duty if we provide all that we can out of revenue and throw a part 40 of the burden on our successors. We shall borrow a million towards the construction of Barracks in the ensuing year; and even after this million has been borrowed, the remaining million will be charged to the revenues of the year.

Thus the sum we shall provide out of revenue for this extraordinary 45 charge is nearly equivalent to the whole estimated produce of the new taxation. In fact, had it not been for this charge, we could have exactly balanced the estimates for next year. After this statement, I need not say another word in vindication of the course we have taken. The greatest stickler for defraying all charges within the year can hardly accuse us 50 of an attempt to evade our obligations. The million loan to be raised in

[1867-68.

aid of the Barrack expenditure will form no part of the two millions which I propose to borrow for wholly different purposes. It is satisfactory to be assured that this vast expenditure will not be unproductive of the results for which it is incurred. His Excellency the Commander-in-Chief is, I believe, in possession of some important facts bearing on this point; and if my hon'ble and gallant friend should think fit to take this opportunity of giving the Council any information on the subject, his statement will I am sure be heard with interest.

I have now completed the statement which it was my duty to make, but before I release my wearied audience, I must advert very briefly to one or two points nearly connected with, if not immediately involved in, the financial affairs of the year. It will be in the recollection of the Council, that in the early part of last year, in consequence of the great influx of bullion in Bombay, we thought it expedient to ask the sanction of the Council to a measure for relieving the Government from the statutory obligations to cash Mint certificates at sight. The Council at once saw that this measure was prudent and even necessary with reference to the circumstances, and more especially to the state of the Currency Department. With a paper circulation varying from 7 to 8 millions, we had locked up in securities nearly 4 millions, which is the utmost limit of investment allowed by law. There can be no doubt that with so limited a circulation, it was unsafe that so large a proportion of the specie representing the paper should have been converted into stock. The pressure of 1866 passed away; but as the Paper Currency remained stationary, and seemed likely to continue in that state under existing arrangements, we thought it expedient to reduce the amount of Currency stock. Accordingly, in the course of the last, and in part of the present year, we have realized securities to the extent of £640,000, and thus the coin reserve has been strengthened by that amount. The whole subject of the currency has been gone into by the Commission constituted under the orders of the Government in the early part of last year; much valuable evidence has been collected from all parts of India, and from every available source; and though the Committee separated without making any specific recommendations, I cannot but think, considering that it comprised several members of the Executive Council which must hereafter discuss the whole question with a view to practical measures, that the Committee exercised a judicious reserve in refraining from such recommendations. Upon this subject I have only to add that the Government of India can take no action with regard to the currency without consulting Her Majesty's Government; but the Council may be assured that this is a subject to which our best consideration will be addressed without unnecessary delay. In the meantime, we have done what we could to promote the paper currency by affording increased facilities through the agency of the principal treasuries for the conversion of the note.

In 1862, an attempt was made to introduce the Money Order system which had worked so beneficially in England. The experiment was first tried in Lower Bengal under the direction of the Accountant General, and with such success that last year the system was extended throughout India. We do not, however, employ the agency of the Post Office, which in India is not adapted to such purposes, but work the system through the Collectors' treasuries under the central superintendence of the Con-

troller General at Calcutta. Orders are now payable to the extent of Rs. 100 at any treasury in the Presidency in which they are issued, and at the general treasuries of the other Presidencies. The operation of the plan will be carefully watched, and every practicable expansion will be given to it. We have also matured a scheme for establishing Savings' Banks throughout the country under the immediate responsibility of the Government. We shall thus afford the humbler classes an opportunity of investing their savings, if they prefer investing to hoarding, or good security to high interest. 5

I need only further advert to the improvement which has been and 10 will be effected in the condition and character of the minor judicial and administrative establishments throughout the country by an adequate increase of salaries and allowances; and to the temporary but most effective measures for giving employment to those who are able to work in the famine-stricken districts, at the same time urging forward agri- 15 cultural improvements by advancing £20,000 monthly to the East India Irrigation Company to enable them to extend their works in Orissa.

Much more remains to be done before we shall have fulfilled the duties which devolved upon us when we assumed the responsibility of ruling over vast provinces and millions of people varying in religion and 20 race, but all looking up with blind submission to that great power to whose wisdom and humanity under Providence, not merely their prosperity and well being, but their very lives are entrusted.

APPENDICES.

PUBLIC WORKS DEPARTMENT.

1867-68.]

STATEMENT showing the Works proposed to be undertaken during the year 1867-68 from the Special Grant of 70 lakhs assigned for new works of irrigation.

DISTRICT.	WORKS.	AMOUNT OF ESTIMATE.	COMPUTED EXPENDITURE TO 31st MARCH 1867.	PROPOSED EXPENDITURE, 1867-68.
		Rs.	Rs.	Rs.
	MADRAS.			
Godavery ..	Works in the Delta of Godavery (raising the anicut, enlarging and improving canals, and constructing aqueducts and locks)	6,79,502	3,73,420	1,66,832
Kistna ..	Works in the Delta of the Kistna (widening, improving, and extending canals, excavating irrigation channels, and constructing locks)	13,65,765	7,74,227	2,50,944
Nellore ..	Works on the Pennar River (excavating irrigation channels, and improving canals)	1,82,540	1,61,374	45,903
Tanjore and Trichinopoly. }	Works on the Cauvery and Coleroon (constructing Lower Coleroon Anicut, and improving the channel of the Cauvery)	5,66,580	67,261	1,50,689
North Arcot ..	Works in North Arcot District (Palar Anicut, Cheyoor Anicut, and dam across the Seear River)	1,25,200	.....	98,200
South ..	Works in South Arcot District (constructing anicut across the Mainmuthanaddy River, cutting the Pombey Channel, &c.)	98,958	5,354	82,906
Coimbatore ..	Works in the Coimbatore District (aqueduct over the Vainpootoor stream, improving the Colingevady Channel, &c.)	1,15,644	55,139	55,488
Salem ..	Works in the District of Salem (anicut across the Vallyoor and Swatha Rivers, &c.)	18,720	.....	18,720
Madras ..	Water-supply project, &c.	6,11,759	1,10,800	3,00,000
	Constructing, improving, and restoring tanks in several districts	1,08,400	16,332	90,048
	Sundry works, under Rs. 10,000 each ... ..	.....	.....	40,270
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each ... ..	.....	.....	2,00,000
	TOTAL, MADRAS ..	.....	.....	15,00,000

BOMBAY.

Dharwar	Canal, including aqueduct from the Mudduck Tank	...	...	74,961	65,835	25,000
Belgaum	Gokah Canal from the Gutpurba River*	...	...	.....	.....	25,000
Sattara	Kristina irrigation project for irrigating 27,500 acres of land in the Sattara District by means of a dam at Koorseet	...	...	5,09,988	5,25,576	80,000
Poona	Moota irrigation scheme for irrigation of land in the Decant	...	...	...	.....	50,000
Ahmednuggur	Lyakh project for irrigating 18,000 acres of land in the Pailra and Godavery Valleys	...	...	2,05,342	1,00,000	1,00,000
Sattara	Yerla irrigation project	...	...	1,49,859	20,000	50,000
Ahmednuggur	Falkair on the Kadwa River (irrigation of 4,370 acres of land from the Kadwa River)	...	...	64,924	.....	25,000
Ditto	Godavery project†	...	...	.....	.....	20,000
Ditto	Prurora project†	...	...	.....	.....	20,000
Khandeish	Jamda Canal on the Girna River (damming up the river and constructing two canals)	...	...	.....	.....	20,000
Upper Sindh	Canal from Sukkur to Shadadpore, including purchase of land	...	...	6,13,331	4,84,572	1,00,000
Ditto	Improving the Bijree Canal, and extending it for the irrigation of Seer lands	...	...	7,29,820	3,96,788	1,00,000
Hyderabad	Improvement to the Kazra Canal†	...	...	4,01,699	.....	50,000
Ditto	Enlargement of the Hyderabad mouth of the River Fodlaliet	...	...	.....	.....	19,800
Beeruj	Cuts in the bed of the Narra River	...	...	1,91,153	1,75,256	20,000
Ditto	Thurr Canal in the direction of Oomercotet	...	...	1,02,662	1,25,162	15,000
Ditto	Mitrow Canal†	...	...	5,56,332	4,98,320	47,000
Kurrachee	New feeder to the Western Narra and Munchur Lake from Seel Dhund near Dadoot	...	...	.....	.....	57,000
Shahbunder	Improving the Mahmoos Canal	...	...	10,040	.....	20,000
Sholapore	Ekkrookh tank project for irrigation from the Valley of Ekkrookh to the Sholapore Collectorate	...	...	.....	.....	10,000
Ahmednuggur	Bhatowdee tank project§	...	...	8,98,226	3,00,000	1,00,000
Khandeish	Saigaum storage lake on the Girna River†	...	...	3,00,000	.....	50,000
Ditto	Improving bundaras and water-courses†	...	...	.....	.....	1,00,000
Baiz	Embanking the right bank of the Narra River near Inkrow to check overflow	...	...	.....	.....	59,700
Kaira	Chorotun Drainage	...	...	.....	.....	16,000
	Sundry works under Rs. 10,000 each	...	...	.....	.....	10,000
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each	...	...	.....	.....	60,500
	TOTAL, BOMBAY	...	...	...	.....	20,000
		...	...	...	.....	12,50,000

* Plans and Estimates under preparation. | † Revised Estimates under preparation. | ‡ Estimates under consideration. | § Estimates under consideration.

STATEMENT showing the Works proposed to be undertaken during the year 1867-68, &c.,—continued.

DISTRICT.	WORKS.	AMOUNT OF ESTIMATE.	COMPUTED EXPENDITURE TO 31st MARCH 1867.	PROPOSED EXPENDITURE, 1867-68.
	BENGAL.	Rs.	Rs.	Rs.
	Provisional grant for the Soane Irrigation Works	....	....	4,50,000
	Purchase of land for Orissa Irrigation Company	....	....	1,50,000
	TOTAL, BENGAL	....	....	6,00,000
	NORTH-WESTERN PROVINCES.			
	Remodelling Ganges Canal	....	....	15,47,780
	Rajbhas, or distributing channels, in connection with the Ganges Canal	....	39,00,000	3,31,000
	Certain works connected with the Eastern Jumna Canal	1,00,935	48,715	79,220
	Terai Survey in Rohilkund	....	....	1,00,000
	Sundry works under Rs. 10,000 each	38,882	14,900	17,000
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each	....	....	2,25,000
	TOTAL, NORTH-WESTERN PROVINCES	....	....	23,00,000
	PUNJAB.			
	Remodelling Baree Doab Canal	....	....	5,76,382
	Rajbhas in connection with the Baree Doab Canal	59,871	23,000	36,871
	Improving inundation canals on the Upper and Lower Sutlej	2,00,659	1,21,432	56,769
	New works and improvements, Western Jumna Canal	5,62,584	2,44,872	3,93,178
	Buildings for Madhopoor Workshops	1,94,121	82,000	70,800
	Sundry works under Rs. 10,000 each	....	....	24,000
	Grant for minor works, the estimated cost of which does not exceed Rs. 2,500 each	....	....	42,000
	TOTAL, PUNJAB	....	....	12,00,000

Nagpore	CENTRAL PROVINCES.			
	...	Irrigation in the Nagpore District, comprising Sowndar, Kuttunjee and Bhore and Dam Irrigation Projects	...	1,50,000
		TOTAL, CENTRAL PROVINCES	...	1,50,000
		GRAND TOTAL	...	70,00,000

Home Charges in 1867-68.

	£	£	£
DEBT.			
Dividends to Proprietors of East India Stock ...	...	629,970	
Interest on loans contracted in England ...	...	1,421,145	
Total Dividends and Interest ...	...	...	2,051,115
CIVIL.			
Charges, General, Home Establishments, &c. ...	...	186,000	
Amount payable under the Postal arrangements ...	...	44,000	
Red Sea and India Telegraph—charge to India ...	...	18,000	
Mission to the Court of Persia—charge to India ...	...	12,000	
Her Majesty's Establishments in China—charge to India ...	...	18,000	
Pensions and Retired Allowances ...	...	231,000	
Furlough and Absentee Allowances ...	...	86,000	
Miscellaneous (including India Office, site and building) ...	...	190,000	
Total Civil Charges ...	...	...	785,000
MILITARY.			
<i>Effective Charges.</i>			
Imperial Government for Troops serving in India ...	638,000		
Ditto on account of cost of Education of Officers and Cadets ...	10,000		
Passage of Troops ...	38,000		
Ditto and Outfit of Officers ...	30,000		
Allowances, &c., of Assistant Surgeons on appointment...	8,000		
Furlough Allowances ...	210,000		
On account of contracts for construction of Indian Troop Transports ...	272,000		
Overland Troop Transport Service ...	100,000		
Total Effective Charges ...	...	1,306,000	
<i>Non-Effective Charges.</i>			
Imperial Government for Troops serving in India ...	220,500		
Retired Pay, including Colonel's Allowances ...	736,000		
Pensions, Lord Clive's Fund ...	118,000		
Total Non-Effective Charges ...	...	1,074,500	
Total Military Charges ...	...	...	2,380,500
MARINE.			
Pensions and Retired Allowances, India Navy and Bengal Pilot Services ...	...	52,000	
Furlough and Absentee Allowances ...	...	2,000	
Total Marine Charges ...	...	...	54,000
Total Charges in England ...	...	...	5,270,615
<i>Deduct—</i>			
Miscellaneous Home Receipts ...	...	...	116,000
Net Expenditure in England ...	...	...	5,154,615

STATEMENT of Cash Balances in the Indian Treasuries on the 31st March 1867.

RECEIPTS IN INDIA IN 1867-68.		BUDGET ESTIMATE.	DISBURSEMENTS IN INDIA IN 1867-68.		BUDGET ESTIMATE.
REVENUES	...	£ 46,783,110	EXPENDITURE IN INDIA	...	£ 41,608,658
DEBT—			Deduct—		
			Stores from England, &c., included in above	...	1,313,128
					40,290,530
Special Loans—			DEBT—		
1. For Reproductive Public Works	...	1,200,000	Expenditure for Reproductive Public Works and Special Fund Works	...	1,270,000
2. For other Special Public Works	...	800,000	Other payments on account of Debt	...	13,149,050
Other receipts on account of Debt	...	12,044,120	LONDON—		
			Payments in India on account of England:—		
LONDON—			Railways	...	4,789,766
Recoveries in India of Payments in England:—			Madras Irrigation and Canal Company	...	154,000
Funds, Family Remittances, &c.	...	1,520,672	Other Payments	...	1,388,550
Madras Irrigation and Canal Company, Net Earnings	...	2,500	Remittances in England on account of Payments for India:—		
Net Railway Earnings	...	2,754,936	Guaranteed Railway Interest	...	3,377,000
Interest on Railway Earnings	...	37,145	Other Payments	...	1,181,457
ESTIMATED CASH BALANCE ON 31ST MARCH 1867	...	11,132,133	UNADJUSTED AMOUNT BETWEEN PRESIDENCY AND PRESIDENTY	...	62,155
		£76,274,676	ESTIMATED CASH BALANCE ON 31ST MARCH 1868	...	10,612,168
					£76,274,676

FORT WILLIAM;

FINANCIAL DEPARTMENT,

The 5th March 1867.

THOMAS PEACHEY,

Depty. Compt. Genl. of Accounts.

R. P. HARRISON,

Compt. Genl. of Accounts.

E. E.

E. H. LUSHINGTON,

Secy. to the Govt. of India.

GENERAL BUDGET

FOR THE

GENERAL ABSTRACT OF THE REVENUES AND

FOR THE YEAR FROM 1ST APRIL

	1865-66.	1866-67.		1867-68.
	Actual.	Budget Estimate, 12 Months.	Regular Estimate, 11 Months.	Budget Estimate.
CIVIL—	£	£	£	£
I. Land Revenue	20,473,897	20,254,300	18,610,200	20,054,790
II. Tributes and Contributions from Native States	709,632	683,750	651,480	696,930
III. Forest	367,682	462,740	352,710	434,300
IV. Abkaree (Excise)	2,244,874	2,309,000	2,137,150	2,205,280
V. License Tax	692,241	10,000	20,630	500,000
VI. Customs	2,279,857	2,414,100	2,045,140	2,357,130
VII. Salt	5,342,149	5,533,260	5,621,770	6,078,030
VIII. Opium	8,518,264	8,500,000	6,875,700	7,713,750
IX. Stamps	1,994,632	2,000,660	1,873,250	2,487,580
X. Mint	494,354	409,800	239,500	313,240
XI. Post Office	406,466	391,220	355,580	595,210
XII. Telegraph	190,463	183,880	288,600	303,900
XIII. Law and Justice	643,628	645,700	642,060	718,520
XIV. Police	146,901	236,900	203,420	246,090
XV. Marine	198,890	263,700	235,440	246,220
XVI. Education	57,538	59,150	60,860	66,090
XVII. Interest	216,824	255,840	245,650	226,900
XVIII. Miscellaneous	2,311,123	400,000	362,750	347,520
ARMY—Miscellaneous	728,340	760,000	679,470	711,630
PUBLIC WORKS—Miscellaneous	917,465	978,800	644,170	480,000
	48,935,220	46,752,800	41,912,530	46,783,110
DEFICIT, including Public Works Extraordinary Charges.	Surplus	72,800	2,395,247	557,522
Total ... £	48,935,220	46,825,600	44,307,777	47,340,632

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 5th March 1867.

1867-68.]

ESTIMATE OF INDIA,
YEAR 1867-68.

RECEIPTS AND OF THE EXPENDITURE OF INDIA,
1867 TO 31st MARCH 1868.

		1865-66.	1866-67.		1867-68.
		Actual.	Budget Estimate, 12 Months.	Regular Estimate, 11 Months.	Budget Estimate.
		£	£	£	£
1	CIVIL —				
2	Interest on Funded and Unfunded Debt ...	2,703,532	2,725,410	2,217,170	2,711,040
3	Interest on Special Loans for Public Works...	...	...	...	80,000
4	Interest on Service Funds and other Accounts	664,119	461,830	600,804	745,189
5	Allowances, Refunds, and Drawbacks ...	420,471	218,720	336,966	321,612
6	Land Revenue ...	1,957,333	2,058,570	1,906,298	2,114,823
7	Forest ...	213,779	300,450	231,208	276,379
8	Abkaree (Excise) ...	243,014	237,200	214,437	236,179
9	Income Tax ...	16,620	...	1,237	...
10	Customs ...	207,514	197,950	188,061	218,221
11	Salt ...	339,140	344,240	346,772	369,351
12	Opium ...	1,894,270	1,762,940	1,616,013	1,670,972
13	Stamps ...	81,853	86,090	81,885	83,492
14	Mint ...	163,020	139,000	135,342	135,541
15	Post Office ...	433,304	455,830	431,772	481,120
16	Telegraph ...	269,218	406,840	487,852	520,623
17	Allowances to District and Village Officers	338,654	414,010	381,287	395,777
18	Administration and Public Departments ...	1,068,292	1,066,730	1,001,761	1,042,165
19	Law and Justice ...	2,423,206	2,607,790	2,413,396	2,341,303
20	Police ...	2,384,330	2,435,330	2,199,697	2,427,436
21	Marine ...	557,397	469,690	520,008	549,895
22	Education, Science and Art ...	670,730	763,230	633,130	821,667
23	Ecclesiastical ...	154,886	159,160	147,479	157,090
24	Medical Services ...	274,889	308,440	276,490	301,205
25	Stationery and Printing ...	181,954	154,530	154,564	168,056
26	Political Agencies and other Foreign Services...	220,658	201,720	221,340	221,610
27	Allowances and Assignments under Treaties and Engagements ...	1,801,793	1,896,540	1,567,782	1,930,792
28	Miscellaneous ...	1,231,009	362,700	327,427	431,980
	Superannuation, Retired, and Compassionate Allowances ...	608,987	679,240	687,555	680,412
	ARMY ...	13,909,412	13,181,210	12,338,959	12,657,920
	PUBLIC WORKS, ORDINARY —				
	Public Works ...	4,674,625	5,770,000	4,640,754	3,212,500
	Supervision and cost of land for Railways ...	225,572	391,600	503,911	112,000
	Loss by Exchange on Railway transactions ...	50,506	233,130	210,330	185,077
	Income Tax Grant ...	110,000	...	60,100	...
	Expenditure in England heretofore included in the Indian Accounts, viz. :—	40,615,189	40,521,720	37,137,555	38,161,432
	Stores ...	505,735	748,350	623,982	1,117,226
		41,120,924	41,270,070	37,761,537	39,278,658
	Guaranteed Interest on Railway Capital less Net Traffic Receipts ...	31,641*	533,330	942,914	592,359
		41,152,565	41,803,400	38,704,451	39,861,017
	Net Expenditure in England (Home Charges)...	4,982,164	5,022,200	5,603,326	5,154,615
	Total ... £	46,134,729	46,825,600	44,307,777	45,015,632
	PUBLIC WORKS, EXTRAORDINARY—				
	Military ...	...	...	...	1,831,009
	Jails ...	...	...	...	82,000
	Communications ...	...	...	...	361,000
	Embankments ...	...	...	...	51,000
		...	...	...	2,325,000
	Grand Total ... £	46,134,729	46,825,600	44,307,777	47,340,632
	SURPLUS, including Public Works Extraordinary Charges ...	2,900,491	...	...	...
	SURPLUS, excluding Public Works Extraordinary Charges ...	...	...	...	1,767,478

E. E.

E. H. LUSHINGTON,

Secretary to the Government of India.

[1867-68.]

FINANCIAL STATEMENT

BY

THE RIGHT HONORABLE W. N. MASSEY.

MARCH 14th 1868.

Before I proceed to the business for which we have assembled this morning, I crave the permission of the Council to make an explanation with reference to the Actuals of 1865-66, which formed part of my Financial Statement in March last. I have been represented as crediting to the income of that year sources of revenue which were fictitious, or which did not properly belong to it. I stated on that occasion that in consequence of the new Budget system, it was necessary to pass through the balance sheet of account certain balances arising in the adjustment of the old books and the transfer of the management of the Public Debt to the Bank of Bengal. Upon this adjustment there was a nominal balance of upwards of a million credited to the income of the year; but I distinctly said that this balance represented no real transaction, and was merely a matter of account. In that sense my statement was understood by the Secretary of State; and the Right Hon'ble gentleman has appended a footnote to the corrected edition to his Budget speech to that effect. Again, it was said that I had improperly credited the income of 1865-66 with certain arrears of Railway payments. The fact was that when the Regular Estimate was prepared, nearly a million of Railway traffic earnings which had been realized had not been paid into the Bombay Treasury; but these payments having been subsequently made, they were, of course, exhibited to the credit of the year in the actual accounts. Again, I was accused—and this time on the authority of the Secretary of State—of having taken credit for the difference between the expenditure of stores in India and the estimate in the Home accounts, whereas the expenditure on this account in England had exceeded the estimate. But the explanation is very simple. Up to 1865 the practice had been to charge the value of the stores used in India in the annual accounts. The Secretary of State then desired that the accounts should in future exhibit, not the value of the stores consumed, but the sum total of the expenditure in England. But this order was not issued

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until after the accounts for 1865-66 had been made up, and was therefore inapplicable to these accounts. I was dealing not with my own estimates, but with the estimates of my predecessor, Sir Charles Trevelyan. It was my duty to show the actual results of those estimates in the
 5 manner which I have described. These statements were therefore correct in every particular, and it follows that there is no foundation for the charge of ignorance and carelessness which has been made against the Department of Account and Audit and myself. With this explanation, Sir, I proceed to the Actuals of the year 1866-67, that is, the year
 10 which expired in March last.

The Council will recollect that this was an incomplete account, in consequence of the alteration in the official year: it was, in fact, a year of eleven months, instead of twelve months. The estimated revenue for that broken year was £41,900,000, very nearly 42 millions. The actual result
 15 is, that the estimate of revenue has been slightly in excess: it has been 42 millions some odd thousands. Our estimated expenditure was £44,307,000; our actual was £44,530,000. Our estimated deficit was £2,400,000; our actual deficit turned out to be £2,517,000. The difference between our estimated deficit and the actual result was, in round
 20 numbers, £120,000. I stated to the Council last year that the very large deficit which I had to meet was not attributable to any falling off in the revenue, but mainly to accidental causes. It was, in the first place, owing to an over-estimate of Opium, but not a very considerable over-estimate. The deficit under this head was still further increased by the accident that
 25 we had calculated upon bringing to the market in Calcutta a greater number of chests than we were by our engagements enabled to do. In fact we were obliged to keep back 5,320 chests of Opium, which would have realized £691,600. The deficit was also swollen by other special and temporary causes. We were disappointed in our expectation of repayment
 30 of £460,000, advanced to Bombay against the proceeds of the Land Sales. There were losses of nearly £300,000 under Customs and Salt, owing to the depression of trade; and the Home charges were increased by £480,000 on account of the new transport ships and stores for India.

Now, Sir, proceeding to what is of more immediate interest—the
 35 estimates of the present year: our estimate for the total expenditure of the year about to expire was £47,340,000; our income was estimated at £46,783,000—thus exhibiting a deficit of £557,500 after defraying all charges, including the charges under the head of Public Works Extraordinary. Early in the year, in anticipation of this result, we endeavoured
 40 to reduce the expenditure, but this was found impracticable. There was, however, one great item of expenditure, which we thought might be dealt with in a different manner than that which had hitherto obtained. The great grant for Public Works, exclusive of Railway charges, and reproductive works, amounted to five millions and a half. We thought, upon
 45 examining that grant, that it was fairly divisible into two classes. There was one portion of the grant which included charges properly debitable to the income of the year. Public Works, repairs and improvements are always required in a great Administration like that of India, and constitute a head of charge that is familiar to the Budget of every civilized country.

50 But there were included in that grant certain exceptional and extraordinary charges on account of new barracks, which it had been considered 1868-69.]

expedient to push forward with the utmost rapidity; and therefore instead of spreading the estimate for these works, amounting to eleven millions, over a series of years, so as to make the pressure light upon each succeeding year, we were pledged to compress, in the shortest possible period within which those works could be completed, the whole of that expenditure. The charge, therefore, of eleven millions was extended over five years only. It happened that in the earlier years the expenditure was not very considerable. But the charge expanded as the works proceeded, and we found in March last that the pressure of that service upon our estimates had become of a very formidable character. We had to provide nearly two millions of money on account of barracks during the present year. We had also to provide for the great trunk roads and the leading arterial lines of communication throughout the country. We also had to provide for embankments. We therefore addressed the Secretary of State, representing to him that the inclusion of these special charges in the grant for Public Works was calculated to have a serious influence on the state of our finances. Excluding these extraordinary charges, our financial condition was sound and flourishing. There was in fact a very considerable surplus. We therefore asked the Secretary of State to consider the subject, and to sanction a proposal which we made, that the grant for Public Works should be divided into two classes: the one ordinary, the other extraordinary—the ordinary grant being, as heretofore, charged upon the income of the year, the extraordinary portion of the grant being also a charge upon the income of the year when we had a surplus. But if the question lay between new taxation and providing for these works wholly or partially by loan, we put it to the Secretary of State whether it would not be the preferable course to borrow rather than strain the resources of the country by additional taxation for the mere purpose of constructing great works of which posterity would reap the benefit. In connection with the general proposition, we asked the Secretary of State to allow us to borrow a million of money in aid of the barrack expenditure for the present year. In the despatch in which we asked that sanction, we also said that we thought it right that any surplus revenue which might result from this arrangement should be applicable to the payment of the debt so incurred. The Secretary of State assented to these arrangements, so that whereas we had estimated for a deficit of £557,000 without any special aid to our finances, the loan of one million, which we were permitted to raise for new barracks, converted that deficit into a surplus of nearly £450,000.

Well, Sir, the grant for Public Works comprehended two other items. They were works of a reproductive character, which, in the course of years, would ultimately pay for their construction, and, we hoped also, would yield a handsome income. We desired therefore to place these reproductive works, which comprehended chiefly works of irrigation, in a separate class, and to provide for them year by year entirely by loan. That policy found great favour both in this country and at Home, because it was a policy which indicated the intention of Government to enter upon those vast undertakings, so essential to the prosperity of the country, on the most extensive scale. It was our desire, indeed, to avail ourselves of every resource which money could afford, which engineering skill could supply, and which the labour market could furnish, to push on these

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works with all possible speed. A sum of money was therefore appropriated to meet the estimate for these works for the coming year. Coupled with this class of expenditure was another special and temporary charge relating to Public Works. I mean the charge for advances to Bombay on the security of the special Land Fund, the value of which was estimated at a very large figure. The original estimate of this property amounted to between three and four millions, which had been ultimately increased by the authorities of Bombay to eight millions. We were assured that the amount of eight millions would be eventually realized. But it was recently represented to us by the Government of Bombay that, in consequence of the depression of trade, and the special circumstances which affected Bombay, it would be highly inexpedient to force the market and make a sacrifice of property which would ultimately prove so valuable. Well, Sir, that was a very reasonable view of the case, and we decided that the works at Bombay, which were to be constructed upon the credit of this fund, should not be retarded merely because the fund was not capable of immediate realization. We had, during former years, made small advances to Bombay on this account; but we found it inconvenient to draw upon our cash balances year by year to the extent required, and that the preferable course was to borrow the sums necessary for these advances, and to charge the principal of the money so borrowed against the proceeds of the sales, as they should from time to time be effected. I should add that out of a gross amount of about two millions and a half, which, since the creation of the Land Fund, have been advanced to Bombay, about £730,000 have been repaid. The result was, that in respect of reproductive works, and special advances to Bombay, we had to borrow a sum of about £1,400,000. Now, Sir, those were the arrangements on which we commenced the current year. They resulted, as I have mentioned, in an estimated surplus of nearly £450,000, exclusive of the loan in India and the expenditure on Irrigation and Special Fund Works; but I must not omit one most important ingredient in this arrangement. Before we addressed the Secretary of State, and asked him to allow us to call in aid the capital of the country for the construction of military works, we had already imposed new taxation to the amount of nearly a million and a quarter, and it was very much upon that ground that we put it to the Secretary of State whether it was desirable to increase taxation merely to supplement what was required for these extraordinary works. Well, Sir, our estimate of gross expenditure under this arrangement was, as I have said, £47,340,000.

I have now to state to you the result of what is called the Regular Estimate, that is, the result of the actual disbursements of eight months, with an estimate of the disbursements of the remaining four. We estimated, then, for the expenditure of the year ending March last, £47,340,000, excluding Irrigation and Special Fund Works. That expenditure has increased to £48,467,000, the difference being £1,127,000 adverse to the Budget. We estimated our income at £46,780,000; we have realized £48,258,000, the Regular Estimate being in advance of the Budget by nearly one million and a half. The result is, putting the income against expenditure, instead of having a surplus of £450,000, we have in round numbers a surplus of £800,000; but that surplus, I need hardly remind you, is a surplus created by the transaction to which I have referred, 1868-69.]

namely, the borrowing of a million of money for military works. Our Cash Balances were estimated at £10,612,000; they will be £11,126,000, the result being an advance in the cash balance account of upwards of £500,000. Now, Sir, the Council will have perceived that the expenditure of the year has exceeded the estimate by £1,127,000. I am not going into items which have resulted in that increase, because I shall have to occupy the Council for some time. Well, then, taking compendiously the causes of the increase of expenditure—we had estimated on account of guaranteed interest on Railway capital, less traffic receipts, that we should be called upon to pay no more than £582,000. That estimate has unfortunately failed to the extent of £615,000, and that failure is attributable very much to the decay of the Cotton trade, but it is much more attributable to the disasters which have happened on the Railway at Bombay, the break-down of the Bhore Ghaut Incline, and the failure of almost all the bridges and great works upon the Great Indian Peninsula line of Railway. These works have to be replaced out of capital, and the interest on that capital is, of course, an additional charge upon the revenue. The traffic of the line has been seriously affected by these disasters, and the balance of this Railway excess is attributable to that failure. Well, Sir, the Secretary of State had furnished us with an estimate, which we are bound implicitly to receive, of the expenditure in England. The estimate was £6,271,000. It has turned out to be £6,851,000, nearly £580,000 excess. These two items alone account for the increased charge of the year. In other respects the expenditure is not in excess of the estimate. On the contrary, taking the heads of charge one with another, they have singularly corroborated our Budget estimate.

But now we turn to the more agreeable side of the sheet, where we have certainly cause for congratulation in the excess of income over estimate. We have received nearly a million and a half more than we had calculated upon. Well, the Council will probably at once conjecture the cause to which that excess is principally owing. You will recollect that warned by experience of the last year—even if I had not had before me the experience of former years—to contract within more cautious limits my estimate for Opium. I had estimated Opium in the preceding year at Rs. 1,300 per chest. It did not realize that average. The result was that we were landed in a deficit. I thought therefore the safest principle upon which Opium could be estimated was to take the average of a series of years, and that average gave me an estimate of something under Rs. 1,150 per chest. I took Rs. 1,150. Sir, Opium is the source of our income more calculated than any other to disconcert our financial arrangements. It is a source which is very obscure. It depends upon a market of which we have very little information. It is subject to the most violent fluctuations; and although we may have carefully estimated other resources, a too sanguine view of the produce of Opium is likely to leave us in a very serious deficit. I was quite prepared, therefore, to find that in estimating the product at Rs. 1,150 per chest, I should be under the mark. It turns out to have been a remarkably good year, and we have received one million in excess of our estimate.

Well, Sir, another source of taxation from which we derived a revenue which has exceeded our estimate is the License Tax. We estimated it at £500,000, it will certainly realize £660,000, and I think

that when the year is closed the receipts will be nearer £700,000. At all events, we have an increased revenue from that source alone of £160,000. Well, then, there was another tax, or, rather, an addition to an existing tax, which has proved productive to the extent, at least, of our estimate. The export of grain was originally subject to a small duty of half an anna. By successive gradations that duty was raised to two annas, and the experience of years shows that no adverse result was produced by the successive increases of duty. Therefore we thought that as our resources were very limited, so far as taxation is concerned, it would be safe to increase the existing tax by a further addition to the duty of one anna per maund. In taking this step, we knew we should have to encounter the censure of political economists, who deprecate any export duty upon a commodity of this character. But we ventured, with the concurrence of the Secretary of State, to impose this small additional duty, which we estimated to increase our Custom Receipts by £160,000. Now the Council will be anxious to know what has been the result of this operation. We received a remonstrance early in the year against this tax from certain grain merchants of British Burmah, who also memorialized the Secretary of State. It was a remarkable fact, however, that the memorialists did not base their opposition to the tax on the ground of its tendency to check the trade, but in the prospect of its decreasing their profits. Well, Sir, I hope that no such consequence has ensued, since our calculation of an increase to the revenue from this source has been fully realized. I hold in my hand a return of the Calcutta Custom House, showing that in the eleven months preceding the increase of the duty, the exports were thirty-five lakhs and a half of maunds; and in the corresponding eleven months, during which the increased duty has operated, the exports have been sixty-four lakhs and a half of maunds. In the face of such facts, I apprehend this Council will not expect me to remit the additional anna on grain. Nevertheless the operation of the duty will be carefully watched; and at any time, even in the middle of the official year, if there is reason to think that the duty is operating unfavourably to trade, there will be no hesitation on the part of Government to modify the tax. But if I had little apprehension of any such evil effect last year, when the duty was raised, I have less apprehension now.

Well, there was another operation of more extensive, and possibly of a more doubtful character, in which we engaged for the purpose of strengthening our resources. We appointed, early in the last year, a Committee to consider the Stamp Duties, or rather to consider that schedule of the Stamp Duties which relates to judicial proceedings. That Committee was presided over by a learned Judge of the High Court, assisted by a very able and experienced gentleman, formerly a Member of this Council, and since promoted to the Bench of the High Court. With Mr. Justice Jackson and Mr. Hobhouse was associated Mr. Prinsep, the Registrar of the High Court. The Committee thus constituted prepared a new scale of institution fees, which promised to give us a revenue of £680,000. I must say, in justice to the Committee, that as regards the estimated increase of revenue to be derived from this new scale, they gave a very diffident opinion, and at once admitted that the result of such taxation was doubtful. Some gentlemen, founding themselves on high authority, took exception to this policy of deriving an increased revenue

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from judicial proceedings. I see opposite to me an honorable friend of mine who, I believe, considered that taxation of this kind was calculated to prevent the people of this country from obtaining that justice to which they are entitled. Well, Sir, I do not desire to give a conclusive opinion on the matter. The new arrangement of the schedule is open 5 to very careful consideration. We estimated the produce of the duty at £500,000. We have not yet got returns of our stamp revenue carefully analysed, so as to enable us distinctly to say to what extent that estimate has been realized; but the general result is, that the stamp revenue has been increased by about £400,000. So that, assuming that our estimate 10 of £500,000 has been excessive, I know no other cause to which to attribute the increase of stamp duties to the extent of £400,000 than to this increase in judicial stamps. Under these circumstances, and pending further inquiry upon the subject, nothing has taken place to satisfy the Government that the duty was either impolitic or excessive. I do not, 15 therefore, propose any reduction in the revenue of the succeeding year on this account. The subject is in the hands of a gentleman now present, who is very competent to undertake it; and if the result of the investigation should be that the scale which is now in operation is excessive, the Government will be prepared to consider it. But as at present advised, 20 I have no reason to suppose but that the objections to the tax are very greatly exaggerated, and I hold out no hope whatever to those who are interested in its imposition that it will be repealed. I believe and hope that the result of the inquiries which are now in progress upon the subject will be that the scale, although it may be subject to some few altera- 25 tions, is, upon the whole, based upon sound principles, and that it has put us in possession of a source of revenue which it would not be expedient to relinquish.

Now, Sir, these are the causes to which the increase of our income during the present year is to be attributed: first of all, the increase in the 30 price of Opium; secondly, the increase in the product of the License Tax; thirdly, the fulfilment of our estimate of the Grain duty; fourthly, the income derived from Stamps.

Sir, we now approach the year for which I am about to estimate—we approach that year with a balance in our hands of £800,000.—I have 35 told you that the Regular Estimate of our expenditure is considerably in excess of our Budget Estimate to the amount of £1,127,000. Our ordinary expenditure has amounted to a very high figure, £46,557,000, during the current year. We have estimated for an expenditure of nearly the same amount during the succeeding year, and the whole of our expend- 40 iture for the succeeding year, that is, our expenditure, including that debateable grant of Public Works Extraordinary of a non-productive character, will be £48,343,000. I do not know whether I need trouble the Council with a detail of the several heads from which this estimate is cal- 45 culated. I need hardly trouble you with so small a matter as the increase in our expenditure on account of Abkaree of £10,000, nor of even the decrease in our Customs of £23,000. There is an increase on Salt of £88,000, chiefly due to a provision for the purchase of a larger quantity of Salt to meet an increased demand. There is an increase upon Opium of £44,000. We were asked by the Government of Bengal to grant a 50 sum of £200,000 on this account during the coming year; but upon an

examination of the estimate, we found that it was capable of reduction to £160,000. The next item is rather an important one. The charge for the Post Office has increased by nearly £100,000, but that charge is attributable to increased salaries in the higher department; the introduction into the service of a better class of persons in the lower grades, and generally to the revision of the establishment, which was much called for. Sir, the department of the Post Office had incurred something like discredit—the deliveries were irregular—frauds were very considerable. We found that the Post Office comprehended in its service men on so low a scale of pay that it was impossible to obtain the services of persons upon whose honesty and integrity we could rely. We considered it good policy, therefore, to revise the whole of our Post Office establishment; the result of the revision is to place it upon a much sounder footing, and I hope it will have the effect of removing those scandals which have hitherto attached to the department. We have been, from time to time, pressed to reduce the charges upon the lowest stamped letters, that is to say, the half-anna stamp has been represented to us as not carrying sufficient weight, having regard to the requirements of the country. Well, Sir, the effect of the change which we were asked to make would be a loss of revenue of five or six lakhs of rupees. We did not altogether admit the grounds upon which that sacrifice is demanded. We think, upon the whole, so far as our inquiries have extended, that the result of the extension of such a boon would not be so great as was anticipated. At all events, I think the Council will agree with me that it is not expedient to diminish the revenue of the Post Office by five or six lakhs at a time when we have incurred so much outlay to place the department upon an efficient basis. Therefore the question of an increase in the weight of letters bearing the lowest denomination of stamp is reserved for a future year. The Telegraph is this year a decreased charge to the amount of £85,300. That decrease was owing to over-estimates of last year, and also partially to retrenchments. There is in the general department of the administration an increase of £83,000, which is attributable to establishments generally having undergone revision. Law and Justice shows an increase, which embraces, among other things, purchase of material for jail manufacture; while this expenditure had been incurred for materials, it is an outlay of capital which will be reproductive, and probably the estimate will next year show an increase on the opposite side of the account. Police charges show an increase of £115,000, which is chiefly owing to the remodelling of the Preventive Police in Bengal and the Railway Police in the North-Western Provinces. There are also increased charges for Municipal purposes, which will be met by receipts. This subject of Police is one which has very much engaged the attention of the Government during the period with which I have had the honour of being connected with it, and we have been involved—I won't say in wrangles, but—in hot disputes with the Local Governments and the Municipalities on the question of the adjustment of this charge. We have maintained a principle from which, I hope, we shall not depart, to require every district to maintain its own Police, and the same as regards every Municipality. We have partially succeeded in enforcing that principle, but it is one which cannot be carried into full effect all at once; but we shall persevere in our efforts, and I hope the result will be ultimately that every

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Municipality will bear its own charge. When I first came to this country, several great towns bore the whole charge of the Police. Other towns bore but an inconsiderable portion of that charge, or none at all. That was a state of things which ought not to be tolerated, and we laid down the principle that all great Municipalities at least should maintain their own Police. But the Government was met with great resistance, and we were driven, as is the usual result, to a compromise. We have adjusted these charges of Police between the Government and the principal Municipalities upon what I think is an equitable footing: and in time, I have no doubt, this long-vexed subject will be placed upon a satisfactory basis. There has been an increase in the charge of Education of £118,000. Well, that is a normal increase: the estimates for Education increase every year. I venture to hope, however, warned by my English experience, that the Government will not yield too readily on this point. In England the charge to the State for the education of the people has swollen within a few years from a small grant of £100,000 to a grant of nearly a million; and yet, when I left England, there was a strong disposition to resist any further augmentation of that charge. Sir, you must adopt a similar policy here. I do not mean to say that your grants should not be even more liberal than in England; but the charge of Education is one of increasing proportion, and unless you deal with it in the same form, although in a liberal spirit, you will find it will encroach upon your resources to an extent which will greatly embarrass the financial operations of future years. Under Allowances under Treaties and Engagements, there is a decrease of £114,400, the higher charge in the present year having been caused by circumstances which I brought to the notice of the Council last year, when I spoke of the case of Prince Azim Jah—a case which I had submitted with the greatest reluctance.

I now turn to Income. We shall on the Land Revenue have an increase of £360,000 as compared with the Regular Estimate. This increase is partly made up by the resumption of revenue in Orissa, which had been remitted last year in consequence of the famine. The North-Western Provinces have given us a better estimate than last year, in consequence of the new settlements coming into operation, and there can be little doubt that the general estimate will be fully sustained. There is a slight falling off in contributions from Native States, but it is a variation hardly worth notice. Under Abkaree we are pretty much as we were. There is a slight falling off in Madras on account of the failure of some Madras farmers. There is a falling off in the Customs of about £100,000. In the Central Provinces there is a decline in the Sugar trade. In Burmah we have relinquished the frontier duties in connection with the Treaty which has been recently effected with the King of Burmah, by which His Majesty consents, in consideration of our not re-imposing our frontier duties, to the abolition of certain monopolies and duties which were almost prohibitory of trade. That is a concession made at the public expense for the benefit of trade. In Bengal there is a slight decrease of the export duty, amounting to £63,000. In the North-Western Provinces, as in the Central Provinces, where the Sugar trade has been on the decline, there is a decrease amounting to £14,000. In Bombay and Scinde there is an increase in the Customs of £10,000. The whole result

is that we estimate our Customs Revenue at about £100,000 less than we expected to realize this year. There is a slight diminution on Salt of £7,400. That is a falling off in so large a revenue which is hardly appreciable, and calls for no explanation. It is one of those
 5 fluctuations which you must expect from time to time. Sometimes
 6 it is one way, and sometimes it is the other; but it indicates nothing
 whatever as regards the state of trade. We now come to Opium,
 which, I have already stated, has yielded a very large sum in excess
 of the estimate. We cannot be so sanguine as to expect so large a
 10 revenue next year. The estimate for Opium last year was fixed upon an
 average of previous years. Well, Sir, I estimated it at Rs. 1,150; but the
 high prices of the year, of course, increased the average, and I think that
 although I am now going on to propose some increase in the estimates,
 the Council will agree with me that the estimate I am about to propose is
 15 very moderate. The estimate is, I am glad to say, corroborated by the
 opinion of the Government of Bengal. Sir, I take Opium at Rs. 1,250.
 I may say with confidence that we shall have received at the close of the
 present financial year £8,814,000 on account of Opium, and an estimate
 of Rs. 1,250 per chest gives us £8,385,000 for Opium during the coming
 20 year, that is to say, the Opium Revenue for 1868-69 would be about
 £430,000 less than the receipts of the present year. Our Stamp Returns,
 as I have already said, are improved, and I believe the result will be in
 the coming year nearly the same as the present.

There is an increase on Post Office of £19,000, chiefly an increase of
 25 official postage. Under Telegraphs there is a small decrease of about
 £20,000. Under Law and Justice our Budget Estimate is £1,034,200;
 our Regular Estimate is £734,000, the increase in the estimate being
 £300,000, owing chiefly to transfers of Peons' Fee Funds and proceeds of
 jail labour. There is a small difference in Police—an increase of £13,000.
 30 There is an increase in the estimate for Marine of £35,000, chiefly in
 consequence of the arrangements connected with the Abyssinian War.
 There is under Education a general increase of School fees amounting to
 £1,700. The Miscellaneous Receipts will be £324,000 better than they
 were last year, owing mainly to transfer of subscriptions and other
 35 receipts of sundry Military Service Funds. In the Miscellaneous Military
 Estimate there is a decrease by £26,600, but this decrease will be
 eventually converted into an increase on account of supplies made to the
 Abyssinian Expedition. We are in fact in the position of traders with
 the English Government. We have a large quantity of Marine stores in
 40 stock, and we are making stock advances to the British Government.
 These advances have already amounted to a considerable figure, but what
 that figure is we have not as yet been able to ascertain. Therefore we
 cannot include it in the estimate of the present year; but it is an item
 which will appear in the Regular Estimate of next year.

45 Sir, the general result is that the estimate for Income is £48,586,900;
 but that income is based on the assumption that there will be no change
 in our existing sources of revenue. Suppose for a moment that one
 particular tax, from which we derive a considerable revenue this year, is
 sacrificed, I will not say to popular clamour, but to public prejudice, we
 50 shall, instead of being in a condition of surplus, sink into a deficit of
 nearly an equal amount—that is to say, a deficit of nearly equal amount,
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after paying the whole charges which are included in Public Works Extraordinary. Well, Sir, we might meet that deficit by repeating the process of last year, and by borrowing for Public Works. But the circumstances under which we should propose that operation this year are very different from those which justified it last year. Last year we made an effort to increase our Income to the extent of one million and a quarter, and the Council may suppose that the resort to additional taxation is a policy which we adopted with the very greatest reluctance. I may, at the risk of appearing to enter into needless repetition, remind the Council that we were still in deficit, and the question was whether we should adjust the balance by still further taxation, or whether, in respect of a particular head of charge, we should adopt exceptional measures. But this year, if we retain the whole of our income, if we part with none of the sources of which we are in possession, without any new taxation whatever, we are in a condition to meet the whole charge of the year. Whatever objections may be made to the License Tax, it is admitted by those who have taken a temperate and rational view of the question, that the tax, taken as a part of a new scheme of taxation, was not imposed upon light grounds. The decision of the Government therefore is to part with no existing source of revenue. The License Tax has been, financially, successful. It has yielded nearly 30 per cent. in excess of the sum estimated; it has been collected at a very small cost, between 4 and 5 per cent.; and, so far as its alleged vexatious and oppressive character is tested by the number of appeals which have been made against it, these appeals are absolutely insignificant. The tax, after the first ebullition of resistance subsided, has been collected with as much ease as any other tax. But at the same time the Government are not disposed to close their ears against the voice of public opinion, and it has been a subject of anxious consideration with us whether we could meet the objections to the tax which have been urged so strongly and so incessantly almost since the period of its introduction, without a sacrifice of our revenue, which we are not prepared to incur. I have said that we cannot part with any existing source of revenue. Well, then, if we part with the License Tax, we must substitute something for it. I will not now review all the representations which have been made to this Government and to the Secretary of State in a sense hostile to the License Tax. But I will take a paper which purports to have been drawn up by the Committee of the Bengal Chamber of Commerce, not because that paper is better reasoned than others which I have seen, or because I attribute any undue importance to the source from which it emanated. I quote this paper partly because it is less offensive and intemperate in its tone than others, and partly because it professes to offer to Government substitutes for the tax to which the writer or writers object. The Committee of the Chamber of Commerce propose four alternative taxes. They tell us that we could increase the Salt Duties; that we could equalize the Salt Duties; that we can impose a Tobacco Tax; that we can impose a Succession Tax. Now, first of all, let me take the Salt Tax. I suppose it will not be disputed that the Salt Tax is in effect a poll-tax upon the masses of the population. It is very true that there are other people besides ryots and coolies who consume Salt, but is it a matter of the

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slightest importance to any man raised above the class who earn their livelihood by the labour of their hands, whether the tax is one rupee more or less? Then, Sir, before we increase a tax which falls exclusively on the lower classes, we are bound to inquire whether other classes contribute their share to the burdens of the State. But putting that question aside for the moment, let us consider whether the result which has been hitherto assumed as the certain result of a simple increase of the Salt duties, would, as a matter of course, take place? In considering this subject early in the year, we thought it our duty to consult the Local Governments. We have been assured by the Governments of Madras and Bombay that the tendency of increased Salt Duties would be to diminish consumption, and that the financial results of any increase of that duty at present would be extremely doubtful. I cannot say I am quite satisfied with the soundness of these conclusions, but the energetic remonstrances we have received from the Presidential Governments are entitled to respect; and with those remonstrances before us, we are bound to pause before we impose an additional duty upon Salt. I believe that the direction in which you can derive an increased revenue from Salt, is not by merely adding a few annas to the Salt Duties of Madras and Bombay, under the delusive notion that you are equalizing the Salt Duties by that process, but by bringing to view the whole question; by affording increased facilities for the conveyance of the commodity from the place of its manufacture to the place of its consumption; and by a revision of your Customs Laws. By a combination of measures of that description carefully considered, you will arrive at a point when you may consider the equalization of the Salt Duties upon a reduced below that of Bengal standard, which will yield a large addition to the revenue without any corresponding pressure on the classes now subject to the incidence of the tax. Sir, the next head of revenue to which we are desired to turn our attention is a tax on Tobacco. This tax upon Tobacco, as well as the tax upon Salt, is a suggestion which we have not now heard for the first time. But the gentlemen who have pointed out to us this source of revenue, have not given us any new information on the subject. They have simply urged some plausible reasons for inducing the Government to adopt their policy. But the whole question has been considered, not in this year only, but in former years. It has been considered by Governments which have preceded this Government, and been handled by very able men. We have, however, reconsidered that question, and being desirous to afford to the public any information which was in our possession, we have published our despatch to the Secretary of State, in which we set forth the reasons which have satisfied us that the possibility of levying a tax upon Tobacco is out of the question. It would be a tax extremely oppressive in its incidence, it would be collected at an enormous cost, and it would fall mainly upon the classes which now pay the Salt Duty. If you are of opinion that the labouring classes do not contribute sufficiently to the burthens of the State, you had much better at once increase their Salt Duty under its present condition, than attempt to impose a new tax of the same description, but far more objectionable. Well, Sir, the Budget of the Chamber of Commerce is completed by a Succession Tax, which they conceive would solve, in a satisfactory manner, the question as to the best mode of subjecting the wealthier classes to a just assessment to the

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burthens of the State. This question, also, as I apprehend, has been satisfactorily disposed of by the information which has recently been communicated to the public through the medium of the *Government Gazette*. I need not, therefore, quote the opinions of my colleagues, nor my own, which have been so recently recorded on this subject; but I 5 commend to the consideration of those persons, if any, who are still under the delusion that the Succession Duty could be looked to as a source of revenue, instead of an Income Tax, an attentive perusal of the papers to which I have referred, and more especially of the compendious review of the whole subject contained in the paper drawn up by my honorable 10 colleague Mr. Strachey in 1865. In concluding my remarks on this subject, I cannot do better than quote a short passage from this paper—“Many of the more serious objections which have been made to the Income Tax in India apply with at least equal force to a Tax upon Successions. Among these objections, which apply to both taxes, but which 15 would apply with special force to a Succession Tax, one of the most obvious and important is the evident impossibility of making any fair assessment. In the case of the Income Tax, this objection may, in a great measure at least, be avoided by substituting a License Tax on certain classes; but no such evasion of the difficulty is possible in the case of a 20 Succession Duty. It may be added that whatever may have been the case once, the novelty, and, therefore, the unpopularity, of a tax on successions, would, at the present time, be certainly greater than that of the Income Tax, while there can be no question that the former, unless carried to an extent which would seriously affect this capital of the country, 25 would be far less productive than the latter. The advantage which has been claimed for a Succession Tax over an Income Tax, that it is paid once for all, and at the time most convenient to the payer, points in reality to one of its most serious objections. It signifies, in other words, that the tax falls upon capital, and not upon income. This is an objection 30 which does not appear to have been noticed in any of the discussions which have taken place regarding Succession Duties in India; but it is one which deserves consideration.”

Then, Sir, it is not the intention of Government to propose a further addition to the Salt Tax, nor at the present time are they prepared with a 35 scheme for the equalization of the Salt Duties. They wholly reject a Tobacco Tax, and they wholly reject a Succession Tax. But there is one other tax to which I must advert, although it is not included in any suggestions with which we have been favoured and is not in favour with the gentlemen of the Chamber of Commerce; but it is a tax which has occupied public atten- 40 tion very much during the present year. There was a time when the public mind of India was almost reconciled to the prospect of my proposing this day the renewal of the Income tax. Sir, I am not here to disparage the Income Tax. It is, as it has been described by Mr. Gladstone, “a mighty engine of finance,” but it is an engine of finance which has 45 never yet been resorted to except under emergent circumstances. The Income Tax was first proposed by Mr. Pitt in the stress of the revolutionary war. It was submitted to as a tax of necessity; but it was never imposed as a permanent part of the fiscal system of England. It continued during a period when England was engaged, not in a sort of diplo- 50 matic war, but in a struggle for her existence as a nation; and the people

were prepared willingly and loyally to submit to any tax or any mode of obtaining money which the Ministry of the day thought fit to propose. But the Income Tax was dropped directly on the conclusion of the Treaty of Peace. It was revived thirty years after by Sir Robert Peel under very special circumstances. It was the object of Sir Robert Peel to carry out a policy of the most extensive and beneficent character. He proposed to liberate the commerce of England from the fetters by which it was cramped, and to afford a full development to enterprise and capital. To carry this policy into effect, it was necessary to make a very large sacrifice of revenue, to give up customs duties of a considerable amount; and as it would take a certain number of years to restore the gaps in the revenue created by the repeal of these duties, the Minister proposed, for a limited period, the imposition of an Income Tax for the purpose of indemnifying the revenues against the loss which they would thus sustain. Well, Sir, it was not without reluctance, even under these circumstances, that an Income Tax was brought forward by the Government; and although submitted to by the country, the tax continued in a very mitigated form. No Minister has ever ventured to declare that it is continued as a permanent tax. These, Sir, were the circumstances under which the tax was imposed in England.

Under what circumstances was it proposed in India? India was just recovering from the suppression of the mutiny. In making that effort, she had largely added to the debt. She had not only increased the debt, but had created a deficit in the income to the amount of several millions. Such was our position when Mr. Wilson brought forward his Income Tax.

The circumstances were of that urgent character which in my view justify a measure of such stringency; and it would have been little short of disloyalty to have refused the Government the aid which they required in that hour of need. But Mr. Wilson did not venture to propose the tax as a permanent addition to the finances. He asked the country to submit to it only for a limited period, during which, he calculated, the resources of the country would recover themselves. That period arrived, and the Income Tax was suffered to expire. But let me remind you that when this impost is described as a great engine of finance, an Income Tax of three per cent. is computed to produce no more than a million of money here. This is a very small result to compensate for the difficulties which attend the assessment of such a tax. The peculiar objection which is entertained to an Income Tax is not so much the amount exacted under a moderate scale of assessment, but the inquisitorial process to which it is necessary to resort for the purpose of fixing the amount payable by those classes whose incomes are derived from the profits of professions and trades. This process is not very much to the taste of the English people; but it is specially repugnant to the habits and feelings of the people of India. If, then, you find it necessary to maintain the principles of direct taxation, you should endeavour so to shape your law that it will not involve the necessity of a scrutiny so odious. In proposing, therefore, to retain the License Tax in a modified form, we have no desire to act in defiance of public opinion. I can assure the Council that not the smallest irritation has ever disturbed my mind with reference to what has passed during the present year in considering the policy of maintaining the License Tax.

I look upon it dispassionately as a matter of principle and as a matter of policy. I am quite free to admit that the tax, as in its present form,

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is open to objections, and is capable of material improvement. But we are in possession of that tax which has been financially a success; if we part with it I do not see how it is possible to obtain the revenue which we require by indirect taxation, and if we adopt direct taxation, I see none so desirable as a License Tax. We have therefore determined to propose to the Council the continuance of the Tax on Professions and Trades in a modified shape. The principle upon which the present tax is directed is that of a rough Income Tax. It resembles very much the Excise License Taxes in England which existed before the Income Tax, and which have gone on during the operation of the Income Tax, and still continue. If you insist upon strict equity in your assessment, I have no defence to make for a tax of this kind. The only answer you can make against the objections which are urged against it is, that the mean incidence is very light, and that is an answer which has been accepted in England ever since taxes of this description have been imposed. A Tax upon Professions and Trades is, in my opinion, justifiable. Professions and Trades are the only classes who contribute nothing to the public revenue. They receive a greater benefit perhaps than any other class from an expensive Government like that of India, whose expenditure is incurred in a great measure for the development of trade and commerce. I think therefore that in asking the country to submit to the continuance of the Tax upon Trades and Professions, I am asking nothing unreasonable. I may be told—Why should you tax trades when you exonerate other classes? Well, the answer is, that the landholders of India already pay largely. It is merely a war of words to say that the Land Tax is a rent. The fact remains that the landholders, whose title is indefensible so long as they pay the tax, contribute twenty millions a year to our revenue.

It may be that the tax is not sufficient, that those who pay it, at least under the old Bengal settlement, have made a very good bargain, but it is a bargain by which we are bound. Therefore the only mode in which we can reach the landholder is by a local taxation. I have stated that there is another reason for encouraging a policy of local expenditure for local purposes. That policy is now in its infancy; but if this country is to prosper in its career of prosperity that policy must be developed, for it is impossible that the infinitesimal demands of all the provinces of this vast empire can be provided from the Imperial Revenue. Well, Sir, if that is the case, who would have to bear the burthen of local taxation? It would be the landholder, who would be immediately benefited by the improvement which would be effected, and it is to him principally that the tax collector would look for providing the money for such expenditure. Therefore the landholder will not enjoy an immunity from taxation, and the argument for the imposition of an Income Tax as regards the fundholder shrinks into very small dimensions. I will not now revive the arguments that at various times have been put forward against taxing the fundholder. In a general scheme of taxation there can be no exceptions; and this is the answer to every claim for exemption founded on the source from which the income is derived. But a tax upon the fundholder in this country would fall chiefly upon your own countrymen. Sir, I have before me a calculation which has been prepared by a gentleman more competent perhaps than any other man in India to furnish data upon such a subject, and he shows that out of the rupee debt of 64 millions, about 27 millions

are held by Europeans in India, 15 millions by Europeans in England, and 10½ millions by the natives of this country, so that if you want to tax the natives, do not imagine that you can get at them through the medium of the public funds. Your tax would fall upon your own countrymen and countrywomen and upon that class which has claims upon your sympathy—the widows and children of those who have expended their health, or sacrificed their lives, in the public service. I shall therefore conclude my statement to-day by asking your permission to introduce a Bill for taxing Professions and Trades. The first clause of that Bill will repeal the existing law, and substitute provisions which, I trust, will be less objectionable. Under the new Bill the mean incidence of the tax, instead of being 2 per cent., will not be much more than 1½ per cent. It will not fall on the lowest class of the population. It will begin with incomes of Rs. 500. The services will be taxed all round upon their salaries at 1 per cent. Without wishing to deprecate any discussion into which the Council may think fit to enter, I suggest that it might be more convenient to postpone any discussion until Friday next, when I shall explain the provisions of the Bill in detail, and when the Bill is in Committee, I shall be prepared to give respectful attention to any suggestions which may be made for the alteration of the schedules, or the general improvement of the measure, so far as these alterations do not involve any loss of estimated revenue. Sir, I shall hope to realize from the amended tax £500,000. We thus lose a very considerable amount of revenue by giving up the tax in its present form, which, as I have said, will produce £700,000, with the prospect, if retained for another year, of yielding £800,000.

The result of the whole is, that we get a revenue of £48,580,000, leaving a surplus of £240,000 after defraying all charges except those for Irrigation and Special Fund Works. Our Cash Balance will be upwards of ten millions, and although that is a moderate balance, yet it is sufficient for the purposes of the country, and it will probably be increased by the transactions of the year. Well, now the question arises—how we should deal with irrigation works? The Council are aware that irrigation works are placed upon a different footing from other works; they are provided for by loan. I do not suppose therefore that I shall be expected to apply any part of the very small surplus which I have named towards providing for this special service. The estimate for Irrigation and Special Fund Works for the year, is £1,270,000. Are we to borrow the whole of that amount? I may remind the Council that we shall have in hand a surplus of £800,000 at the close of the present year. I have already explained that this is not a surplus, in the proper sense of the term, that is, an excess of income over expenditure, but is in fact the unexpended balance of a loan; there is also an unexpended portion of the special loan which we borrowed for irrigation works this year. When we proposed to borrow a million for barracks, it was accompanied with the condition that any surplus of the year should be devoted to the reduction of the debt so incurred. Sir, we have no alternative but to perform this promise, and I bring therefore the surplus of £800,000 in aid of the loan for irrigation works, and when I add to that the unexpended portion of the irrigation loan which is now in the cash balances, the irrigation works for the year are provided for. Thus the result is that the whole of the services are provided for, and upon this Budget there will be no loan whatever. But 1868-69.]

although there will be no borrowing for the purposes of the Budget, there are heavy loans looming in the future. We are in negotiation with the East Indian Irrigation Company for the purchase of their works in Orissa, and if that negotiation is completed, we shall enter upon the completion of those works, which have been retarded by want of capital. This will involve a present outlay of nearly a million. The Company have already surrendered the great Soane project, which the Government will immediately undertake. We are about to construct a line of Railway from Lahore to Jhelum with a view to its ultimate extension to Peshawur. We shall probably, also, take over the Calcutta and South-Eastern Railway. All these projects, some of which will certainly be carried into effect, will result in very large loans. In stating that I dispense with any loan for the service of this year, it must not be supposed that I am departing from the policy which we recently adopted. I think that the policy of borrowing for such works as barracks and great arterial roads is a sound and justifiable policy, but it is one which should not be resorted to unless the ordinary income of the year is insufficient to meet the whole charge for works of that description. It is only when the question arises between new taxation and a loan, that the latter is to be preferred. The policy of borrowing for Public Works is not abandoned; it is only suspended, and will be resumed next year, if—though I do not anticipate such a result—the income of the year should prove insufficient to defray the whole of the services. I need hardly add that in applying the balance of the loan and the surplus of this year to irrigation works, and thus dispensing with the necessity of borrowing on this account, we do not at all intend to cramp those operations. I should have been very glad, indeed, if I could have laid before the Council a much larger estimate for irrigation works than I am able to do; but the Department of Public Works, warned by experience, is unwilling to commence operations on a great scale without well-considered plans and estimates. Although we have a surplus of £240,000 in the present year, I must remind you that we lose, as compared with the Regular Estimate of this year, £600,000, that is £450,000 by Opium, and £150,000 by the License Tax. Well, then, is that loss to be repaired by new taxation? The answer depends upon two other questions. Can we rely on a permanent increase of income? Is the public revenue, on a review of a series of years, in a state of satisfactory progress as compared with expenditure?

We have been so much in the habit of hearing our financial condition assumed to be that of bare solvency, that it becomes important to inquire upon what foundation that assumption is based. If it is true that our expenditure is progressing in a ratio which cannot be controlled, and that our present income is not expanding in the same proportion, it would be wise to anticipate the approaching period of pressure. Let us see, therefore, in the first place, whether there is that tendency to growth in our expenditure which cannot be repressed without checking the growth of national prosperity or retarding the progress of civilization. Now, in entering upon a calculation of this kind, in which you have to deal with large figures and numerous particulars, you must not go back to a remote date: a review of a long series of years is sure to include disturbing elements, and, therefore, to produce fallacious results. The mutiny may be taken as the dividing line between the old financial system of India

and the new. I will not, however, go so far back as the mutiny, but take the last six years as affording the best means for arriving at a correct conclusion of this question. Now, Sir, I take the increase of the year 1865-66 as compared with that of 1861-62. The revenue of 1861-62 was £43,820,000, the revenue of 1865-66 was £47,000,000; the difference being upwards of three millions. From 1865-66 we pass over the broken year of 1866-67, and we come to the Regular Estimate of this year. Our revenue in this year is £48,250,000, increase over 1865-66 is £1,250,000; and if you add the increase of the revenue of 1865-66 over that of 1861-62, you have a total increase of about 4½ millions in six years.

Let me now turn to the other side of the picture, and look at the progress of expenditure during the same period. The expenditure for 1861-62 was £43,880,000; in 1865-66 it was £45,250,000; and in the year, about to close it is, excluding Irrigation and Special Fund Works, estimated to amount to £48,467,000. The increase of 1867-68 over 1865-66 is thus £3,217,000, and adding £1,370,000, the excess of the expenditure of 1865-66 over that of 1861-62, the total increase of expenditure is £4,587,000 against a total increase of income during the same period of £4,430,000, the difference of £157,000 being the balance of expenditure over income in the six years.

Thus the Council will see that while expenditure has been increased by an increase of establishments, by additions to salaries on account of the increased charges of the necessities of life, by two petty wars, and by Extraordinary Public Works, upon which we have expended as much as seven millions of money; on the other hand, the revenue has received no appreciable addition. On the contrary, our resources have diminished—we have parted with Customs Duties, we have lost the Income Tax, and these losses have been but partially repaired by the taxation of the present year. I therefore confidently submit that these facts do not lead to the conclusion that our income lags behind our expenditure, and does not justify the popular notion that our financial condition is unsound. Your revenue, exclusive of Public Works Extraordinary, shows year by year a large surplus; but that is no reason why you should draw a permanent and fixed line of separation between one class of your expenditure and another. I deprecate the intrusion into our financial system of a very dangerous principle—that, namely, of dealing with any part of our annual charge by loan; although I am prepared to justify the occasional treatment of extraordinary charges in this way. Although the revenues of India may not admit of indefinite expansion, they will attain a further development, and you may soon expect to see them reach 50 millions. Probably my successor will be so fortunate as to witness that satisfactory result. I hope it may be so. But we have nearly exhausted our resources, and the difficulties of adding to them are almost insuperable. Are we singular in that respect? Is India the only country in the world which finds it difficult to increase its sources of income? Why, Sir, let me refer you to the great Powers of Europe. Every European State at this moment, including even England, is pressed by difficulties in strengthening its financial position. Despotie Governments have no greater facilities in this respect than those which are based upon popular institutions. Your income is as large as that of the great Empire of Austria. It is far larger than that of Prussia. It is not much inferior 1868-69.]

to that of Russia. It is larger than the Revenue of Great Britain itself within living memory. Every other country in the world, even including England, groans under the weight of enormous debt. We have a debt which, though considerable in itself, is comparatively light. Every great Power in Europe, except England and Prussia, is in a state of deficit. 5 Is that the case with India? Why, you are able to provide for the whole of your ordinary charges, and have a considerable surplus. You have in the last six years paid seven millions of extraordinary charge, and still maintained the balance between income and expenditure. If that is not a result upon which we may congratulate ourselves, assuredly it is one 10 which does not justify despondency. In conclusion, however, I would warn you to be careful. Your expenditure has a tendency which, if not kept within bounds, will outrun your means. Live within your ample income. Deal liberally with all proposals which are for the public good, but exercise a rigorous control over the demands from Local Govern- 15 ments to extend their establishments and schemes for social improvements, which, however good in themselves, it is not the business of the Central Government to provide. Let me warn you also against tampering with your finances. India is no field for sensational or empirical finance. I have heard of schemes of education which would absorb the 20 revenues of India; of Roads and Railways which would open up unknown sources of commerce; of projects for the advancement of Science; and I know not what. I have heard proposals seriously discussed, both here and at Home, any one of which would prostrate your finances at a blow. There is a school of politicians or moralists, which says that it 25 is wrong to derive a revenue from Opium. There is another school which maintains that it is inequitable to derive a revenue from Salt. Suppose you gave up the Opium revenue, and repealed the Salt duties, how would you repair the loss of twelve millions which you derive from these sources? An Income Tax of 25 per cent. would not suffice. But it 30 would be a day of evil omen for India on which the Finance Minister should come down and ask for an Income Tax of half that amount. Again, it is asked, why not repeal your Customs Duties? My answer to that is our Customs Duties are the lightest of any country in the world. Every objectionable duty has been either abolished or reduced, 35 and I have not heard of any complaint worthy of a moment's notice against those which remain. There is, indeed, one small duty which I propose to give up, and that is the import duty on Timber, which is entering largely into consumption; and it is a trade which we wish to encourage. In the like spirit the Government will be always prepared 40 to remove or lighten any duty which in any perceptible degree checks the prosperity or interferes with the interests of commerce. But do not sacrifice your Customs Duties to the idea that you are imitating, when you would be only mimicking, the policy of Sir Robert Peel and Mr. Gladstone. The policy of these Statesmen was as sound and prac- 45 tical as it was grand and imposing; and the Customs Duties of India are adjusted on principles strictly in accord with that policy. You may keep what you have got with a safe conscience. There is no part of your income derived from sources of which you need be ashamed; and with proper management—frugal but not penurious—you may, from your vast revenues, provide for every reasonable requirement of the country without imposing new burdens on the people.

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APPENDICES.

Statement of Estimated Cash Balances in the Indian Treasuries on the 31st March 1869.

RECEIPTS IN INDIA IN 1868-69.	Budget Estimate.	DISBURSEMENTS IN INDIA IN 1868-69.	Budget Estimate.
REVENUES	£ 48,586,900	EXPENDITURE IN INDIA	£ 42,018,050
DEBT—		DEBT—	
Receipts on account of Debt	11,975,839	Payments on account of Debt	12,467,390
LONDON—		LONDON—	
<i>Recoveries in India of Payments in England—</i>		<i>Payments in India on account of England—</i>	
Funds, Family Remittances, &c.	1,385,730	Railways	4,249,417
Madras Irrigation and Canal Company, Net Earnings	700	Madras Irrigation and Canal Company	166,000
Net Railway Earnings	2,661,392	Abyssinian Expedition Payments	1,873,900
Estimated Cash Balances on 31st March 1868	11,125,992	Other Payments	218,000
		<i>Remittances in England on account of payments for India—</i>	
		Guaranteed Railway Interest	3,865,000
		Other Payments	797,297
		Unadjusted Amount between Presidency and Pre-sidency	43,000
		Estimated Cash Balances on 31st March 1869	10,038,499
	£ 75,736,553		£ 75,736,553

FOR THE
FINANCIAL DEPARTMENT,
The 12th March 1868.

THOMAS PEACHEY,
Dy. Comptlr. Genl. of Accounts.

E. F. HARRISON,
Comptlr. Genl. of Accounts.

E. H. LUSHINGTON,
Secy. to the Govt. of India.

GENERAL BUDGET ESTIMATE OF INDIA

FOR THE YEAR 1868-69.

GENERAL ABSTRACT OF THE REVENUES AND RECEIPTS AND OF THE EXPENDITURE OF INDIA,

FOR THE YEAR FROM 1st APRIL 1868 TO 31st MARCH 1869.

RECEIPTS.	1867-68.					EXPENDITURE.	1867-68.				
	1866-67, ACTUAL, REVENUE MONTHS.	BUDGET ESTIMATE, 1867-68.	BUDGET ESTIMATE, 1867-68, AS ALTERED BY THE SECRETARY OF STATE.	REGULAR ESTIMATE, 1867-68.	BUDGET ESTIMATE, 1868-69.		1866-67, ACTUAL, REVENUE MONTHS.	BUDGET ESTIMATE, 1867-68.	BUDGET ESTIMATE, 1867-68, AS ALTERED BY THE SECRETARY OF STATE.	REGULAR ESTIMATE, 1867-68.	BUDGET ESTIMATE, 1868-69.
I.—LAND REVENUE ...	19,136,419	20,034,790	20,054,790	20,103,000	20,486,000	1.—INTEREST ON FUNDED AND UNFUNDED DEBT ...	2,499,280	2,711,040	2,711,040	2,689,700	2,699,700
II.—TRIBUTES AND CONTRIBUTIONS FROM NATIVE STATES ...	620,245	696,930	696,030	698,400	687,000	2.—INTEREST ON SPECIAL LOANS FOR PUBLIC WORKS ...	80,000	80,000	80,000	67,000	99,000
III.—FOREST ...	311,940	434,300	434,300	412,900	403,900	3.—INTEREST ON SERVICE FUNDS AND OTHER ACCOUNTS ...	430,286	746,189	746,189	772,900	517,330
IV.—ARKABES (EXCISE) ...	2,110,769	2,205,280	2,205,280	2,262,600	2,211,600	4.—ALLOWANCES, REFUNDS, AND DRAW-BACKS ...	481,830	321,612	321,612	311,700	231,940
V.—ASSESSED TAXES ...	22,127	600,000	600,000	658,000	670,000	5.—LAND REVENUE ...	1,832,023	2,114,023	2,114,023	1,866,900	2,186,700
VI.—CUSTOMS ...	2,030,864	2,367,130	2,357,130	2,616,200	2,441,000	6.—FOREST ...	208,630	276,379	276,379	289,000	278,000
VII.—SALT ...	5,845,910	6,078,039	6,078,039	6,024,300	6,016,900	7.—ARKABES (EXCISE) ...	234,226	236,179	236,179	231,400	281,900
VIII.—OPIMUM ...	6,803,413	7,713,760	7,713,760	5,814,200	8,885,800	8.—ASSESSED TAXES ...	1,184	...	...	32,900	21,000
IX.—STAMPS ...	1,803,773	2,487,680	2,487,680	2,303,000	2,372,800	9.—CUSTOMS ...	186,810	221,221	221,221	209,000	157,000
X.—MINT ...	239,991	313,340	313,240	237,900	251,200	10.—SALT ...	317,619	369,351	369,351	333,300	416,000
XI.—POST OFFICE ...	496,439	695,210	692,210	652,300	671,300	11.—OPTIC ...	1,077,336	1,679,072	1,679,072	1,463,200	1,091,000
XII.—TELEGRAPH ...	197,355	303,900	303,900	272,060	262,000	12.—STAMPS ...	80,328	63,408	63,408	90,000	...
XIII.—LAW AND JUSTICE ...	627,006	718,620	718,620	734,400	1,034,200	13.—MINT ...	131,146	135,541	135,541	118,300	...
XIV.—POLICE ...	183,169	246,000	246,000	261,700	274,300	14.—POST OFFICE ...	415,128	481,120	481,120	488,800	...
XV.—MARINE ...	228,643	246,220	246,220	280,200	294,500	15.—TELEGRAPH ...	288,058	620,538	620,538	627,800	443,000
XVI.—EDUCATION ...	66,053	66,096	66,096	73,400	76,100	16.—ALLOWANCES TO DISTRICT AND VILLAGE OFFICERS ...	339,619	395,777	395,777	398,200	396,000
XVII.—INTEREST ...	233,613	226,900	220,000	227,600	226,000	17.—ADMINISTRATION AND PUBLIC DEPARTMENT ...	1,089,064	1,042,165	1,042,165	1,057,300	1,140,000
XVIII.—MISCELLANEOUS ...	276,210	347,620	347,620	438,800	768,200	18.—LAW AND JUSTICE ...	2,397,180	2,841,503	2,841,503	2,488,900	2,857,000
ARMY—MISCELLANEOUS ...	717,489	711,630	711,630	719,000	692,400	19.—POLICE ...	2,282,921	2,437,436	2,437,436	2,383,200	2,647,000
NAVY WORKS—MISCELLANEOUS ...	538,139	480,000	480,000	479,600	498,000	20.—MARINE ...	685,945	649,805	649,805	719,900	...
						21.—EDUCATION, SCIENCE, AND ART ...	674,717	821,667	821,667	786,200	...
						22.—POLITICAL ...	144,460	167,690	167,690	156,600	...
						23.—MEDICAL SERVICES ...	201,601	301,205	301,205	315,600	...
						24.—STATIONERY AND PRINTING ...	180,299	165,056	165,056	205,900	...
						25.—POLITICAL AGENCIES AND OTHER FOREIGN SERVICES ...	239,299	231,010	231,010	237,600	...
						26.—ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS ...	1,712,003	1,980,792	1,980,792	2,062,000	...
						27.—MISCELLANEOUS ...	770,032	431,930	431,930	443,000	...
						28.—SOCIETIES, RETIRED, AND COM-PENSATIONS ALLOWANCES ...	645,032	680,412	680,412	625,800	...
						ARMY ...	12,440,383	12,657,920	12,657,920	12,389,900	...
						PUBLIC WORKS ORDINARY ...	4,953,309	3,212,500	3,212,500	3,342,400	...
						SUPERVISION AND COST OF LAND FOR PUBLIC WORKS ...	259,474	112,000	112,000	192,300	...
						RAILWAYS ...	111,681	185,077	185,077	170,200	...
						LOSS BY EXCHANGE ON RAILWAY TRANSACTIONS ...	37,964,406	38,161,423	38,248,423	38,608,700	...
						NET EXPENDITURE IN ENGLAND, INCLUDING STORES ...	6,704,602	6,271,841	6,271,841	6,851,400	6,300,000
						GUARANTEED INTEREST ON RAILWAY CAPITAL, LESS NET TRADING RECEIPTS ...	43,799,006	44,633,278	44,516,273	46,398,100	46,810,000
						TOTAL ...	£ 44,630,067	45,016,632	45,097,632	46,648,600	46,810,000
						PUBLIC WORKS EXTRAORDINARY ...	1,831,000	1,891,000	1,891,000	1,480,100	1,480,100
						MILITARY ...	82,000	Shows under ordinary ...	...	...	...
						JAILS ...	361,000	361,000	361,000	362,100	362,100
						COMMUNICATIONS ...	61,000	61,000	61,000	61,000	61,000
						EXPERIMENTS ...	700,000	700,000	700,000	369,400	369,400
						IRIGATION WORKS ...	670,000	670,000	670,000	482,000	482,000
						SPECIAL FUND WORKS ...	...	...	...	...	...
						TOTAL ...	£ 2,335,000	3,813,000	3,813,000	2,761,200	2,761,200
						GRAND TOTAL ...	£ 41,530,067	47,340,632	47,340,632	49,410,000	49,410,000
						SURPLUS, INCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES ...	1,787,478	1,855,478	1,855,478	1,700,700	1,700,700
						SURPLUS, EXCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES ...	...	...	...	...	...
						TOTAL ...	£ 44,530,067	47,340,632	47,340,632	49,410,000	49,410,000

PORT WILLIAM;
FINANCIAL DEPARTMENT,
The 12th March 1868.

THOMAS PEACHEY,
Dy. Compt. Genl. of Accounts.

E. F. HARRISON,
Compt. Genl. of Accounts.

E. H. LUSHING,
Secy. to the G.

FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

MARCH 6th 1869.

I have now to submit to Your Excellency and to the Legislative Council the financial Budget of British India for the official year 1869-70. This will be the tenth annual statement presented since the creation, in 1859, of the office which I have the honor to hold.

Following the practice of my predecessors, I shall divide my exposition into three parts, namely, the "actuals" of 1867-68; the "regular estimate" of 1868-69; the "budget estimate" for 1869-70. Slightly veiled under these technical designations, my meaning is just this—I shall exhibit the finances, firstly, as they have really turned out for the year that is past; secondly, as they are almost certainly turning out for the year that is present; thirdly, as they are expected to turn out for the year that is to come.

The first part of my subject, then, relates to the finances of the past year 1867-68. My Right Hon'ble predecessor Mr. Massey showed in his last statement that the receipts had risen from $46\frac{3}{4}$ millions sterling in the budget estimate to $48\frac{1}{4}$ millions in the regular estimate. In the statement of actuals which I have now to produce, these $48\frac{1}{4}$ millions have risen further to a little less than $48\frac{1}{2}$ millions. In other words, the income of that year has turned out actually $1\frac{3}{4}$ million more than what was originally estimated. This is so far very satisfactory.

On the other hand, the general and ordinary expenditure of that year has actually turned out to be nearly $49\frac{1}{2}$ millions, being 2* millions more than the budget estimate of $47\frac{1}{3}$ millions. Of this increase half a million arose in India, and the remainder occurred in England.

Thus it is that although the receipts of that year rose much more than was anticipated, the expenditure rose even more. And the result shows $49\frac{1}{2}$ millions of expenditure to only $48\frac{1}{2}$ millions of receipts, or an actual deficit of more than a million.

But the statement of general and ordinary expenditure, as I have just given it, will be found to differ from that presented by my predeces-

* 2,096,207.

sor. It will be remembered by this Council that last year he explained the distinction which had been introduced between ordinary and extraordinary expenditure. In the extraordinary expenditure he proposed to include not only the great irrigation works and the special works at Bombay, but also a part of the expense of military barracks, of roads, and other public works. After further consideration it has been decided, with the express approval of the Secretary of State, that only such works as those for irrigation or for the special land funds at Bombay shall be counted as extraordinary; and that all other public works, including military barracks, communications, and the like, shall be treated as ordinary. The principle of the distinction is clear. All public works, however beneficial indirectly, are to be provided for from the ordinary income of the year: and those works only are to be treated as extraordinary and provided for by loan which will yield a direct cash return to the treasury. In order to meet this view, the original budget estimate and the statement of actuals have been slightly rearranged. And the consequence is the exhibition of a deficit as already set forth.

Besides the ordinary expenditure thus revised, there was also an expenditure of more than half a million on extraordinary works according to the improved definition. This added to the $49\frac{1}{2}$ millions already shown brings up the total to more than 50 millions.

Thus the financial out-turn of the last year, 1867-68, has been a deficit of a million, including all ordinary expenditure, or a deficit of more than a million and a half, including extraordinary expenditure.

This result, running counter to some arguments heretofore used, does no doubt read us a lesson; especially as it follows on the heavy deficit of $2\frac{1}{2}$ millions left by the preceding year, 1866-67.

So much, then, for the finance of the last year, 1867-68, as now proved by the event. And before quitting the region of actual event, I would observe that in respect to the revenues and resources of India, experience shows that the estimates, in the aggregate however favorable, are almost always outstripped by the reality. Just as wave passes wave in a rising tide, so one budget after another springs up in an ascending scale. Then although each budget estimate has surpassed its predecessor, in its turn has been usually surpassed by the regular estimate as the year advances, which, again, has been generally surpassed by the statement of actuals after the year has closed. Such experience does indeed inspire hope.

But then unfortunately the same process happens with the expenditure, and the consequence has been that of the eight years that elapsed from the commencement of our budget system in 1860 up to the end of last year, three only were years of surplus, while five were years of deficit. In one year, however (1861-62), the deficit was but small, so it may be said that half the period, or four years, have been remarkable for surplus or equilibrium; while deficit has been characteristic of the remaining half.

All these deficits occurred notwithstanding that within this brief period, that is, since 1859-60, our income grew from 39 millions to $48\frac{1}{2}$, showing increase of 10 millions, or more than 20 per cent.—which increase has accrued not by territorial accession involving counter expenses, but by regular development—and notwithstanding that there has been no

considerable war, and that general peace has prevailed. Nor can these deficits be attributed to expansion of military and defensive establishments, for, on the contrary, the military and marine charges (incurred either in England for India, or in India itself) have fallen by full 50 per cent. The real growth of expenditure, then, has been on account of general ad-
 -5
 ministration or of public improvement. This fact is, on the one hand, satisfactory, as showing that the expenditure has been directly for the advancement of the people of India, the money having been spent on the country itself. On the other hand, it affords a warning that such increase being not absolutely unavoidable (however beneficial) must either be
 10
 sternly kept down, or else, if it be maintained, in the just interest of the country, then that some augmentation of our resources must be secured.

Again, although the retrospect of increase upon any given period, like a decade of years, is gratifying, yet the gratification would be abated if the increase were to be strictly analysed. For, on the whole, the land
 15
 revenue within the period has not materially increased; doubtless the settlements, permanent or for long periods, prevent such increase, but then re-settlements in several parts of India have been made on expiry of old settlements, and yet for the country at large the net result has been to keep the total much as it was. The customs have not increased; 20
 there is nothing wonderful in that, inasmuch as the duties have been so largely reduced. No doubt the salt revenue has much risen; but then the duties have been greatly raised in some provinces. So also the opium revenue has risen; but the causes of that progress are extraneous to India. On the whole, nearly half of the 10 millions of increase 25
 has sprung from the two items of salt and opium. The rest has arisen from several sources, among which must be included assessed taxes. Thus our progress, though, on the whole, considerable, is yet not such as would indicate any *rapid* development of those national resources on
 30
 which the State can rely. This progress, therefore, is not at all such as should inflate us with undue confidence or lull to sleep our financial vigilance to maintain the equipoise of income and expenditure.

Sir Charles Trevelyan, speaking in 1863, expressed a fervent hope—
 not yet realized—that the deficit of 1861-62 would prove to be “the last
 35
 of the long series of Indian deficits.”

My predecessor, Mr. Laing, addressing this Council in 1861, spoke with a just horror of a chronic deficit in time of peace. Mr. Laing graphically described such a deficit as a “huge bully, with whom weary rounds must be fought, who must never be allowed to claim a cross or a drawn battle, but who must be gone into and finished.” Again, he
 40
 likened such a deficit to “an Indian tiger into whose carcass a parting shot must be fired.” Lastly, he said that if deficit could *then* be only “extinguished,” the Chancellor of the Exchequer might renounce his taxing art, and like Prospero bury his “magic wand fathoms deep.” And surely enough he *did* succeed in drowning deficit for a time. For 45
 that year there was a deficit so slight as to be inappreciable. For the two following years there was a surplus. For the next year, too, there was but a small deficit. But now for two years past the deficits have reappeared. And for the current year I shall have to tell the old tale of deficit. Thus, alas! deficit, though scotched, was not killed after all. 50
 But the “bully” of Mr. Laing’s time is in these days up in arms again;

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the "tiger" has come back to life; the smouldering flame not finally "extinguished" has burst out again in our finances.

I now come to the second part of my subject, the current year nearly expired, 1868-69.

5 The budget estimate for this year presented by Mr.¹ Massey showed the receipts at $48\frac{1}{2}$ millions. But as the year has advanced, and as the known figures of eight months out of the twelve have enabled us to correct the budget estimate, we have been obliged to bring up the anticipated amount to $49\frac{1}{4}$ millions, showing a satisfactory augmentation
10 of $\frac{3}{4}$ of a million. The increase distributes itself in a normal and natural manner over the many branches of our income.

The only items which I shall select for notice are customs and opium.

In round numbers the budget showed $2\frac{1}{2}$ millions for customs; the
15 regular estimate shows $2\frac{3}{4}$ millions, or an increase of $\frac{1}{4}$ of a million, which is very satisfactory so far as it may indicate the progress of trade. The budget estimate for 1868-69 was taken at $2\frac{1}{2}$ millions, being in excess of the preceding budget ($2\frac{1}{2}$ millions), notwithstanding that during the year there had been numerous remissions of petty duties, some 40 articles hav-
20 ing been removed from the list of dutiable imports, and 88 articles from the list of dutiable exports. Still the budget estimate rose, just confidence being felt in the elasticity of the trade. But this rising budget has, as we have just seen, been outdone by the probable results, the estimate of $2\frac{1}{2}$ being brought up to $2\frac{3}{4}$ millions. The increase is almost equally dis-
25 tributed among our principal ports, Calcutta, Bombay, Madras, and Rangoon; and also between the two headings of imports and exports. There is increase in the fiscal yield of such imports as silks, as metals, as stores and materials. The importation of English piece goods has been well sustained; but unfortunately the drought and distress in Northern India
30 affecting many classes of Natives who are customers for our English fabrics, has caused many markets in the interior of the country to be slack and dull.

While on the subject of customs, I shall note that we have recently issued for the first time a volume of the statistics of the foreign trade and
35 navigation for British India, prepared after the model afforded by the Board of Trade in London. Whatever may be said as to the deficiency of current statistics in India, such remarks will no longer apply to the returns of our foreign trade. Now, what does this volume show? Why, that the total foreign trade (merchandise and treasure) amounted to 101
40 millions in value in 1867-68, against 95 millions in the preceding year, showing an increase of 6 millions, or 6 per cent. Just nine years ago in 1860, Mr. Wilson, when describing the financial dangers of that era, mentioned as a pillar of strength the fact that in three decades of years (that is, 30 years) the trade had sprung from 14 millions sterling in value
45 to 60 millions. Since then another decade has passed away, the 60 millions total has risen to more than 100 millions, and the trade is still rising fast. Again, in Mr. Wilson's time, the customs revenue was just under $2\frac{3}{4}$ millions. It is a little over that now: and this notwithstanding that the duties have been reduced from 20 and 10 per cent. to $7\frac{1}{2}$ and 5 per
50 cent., and that full 130 articles have been wiped out from the list of dutiable merchandise at the Customs House! Although only one-half or
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one-third of the old rate of duties is now taken, nevertheless the revenue has more than recovered itself within nine years.

Further, these latest trade returns disclose some striking facts indicative of that sort of prosperity which is the real basis of national finance. For instance, India is now taking annually full 20 millions 5 sterling worth of English fabrics, cotton, silk, and woollen. On the other hand, she is sending away annually to England and the colonies some 8 millions sterling worth of her agricultural produce, grains, seeds, and fibres, skins and wool. This, too, is exclusive of opium and cotton. The manner in which the exportation of cotton—on which the wealth of 10 Central and Western India so largely depends—has been sustained, even since the close of the American war, is remarkable. Before the war, that is, before 1861, India used to send to England not more than one-fourth of the quantity which America sent. During the war, while the American production fell off, India exported as much as a million and a 15 half of bales a year, and is still sending but little less than that quantity. The American cotton has now of course regained somewhat of its former position. But still the quantity seems hardly to exceed the $1\frac{1}{2}$ or $1\frac{1}{4}$ million of bales which India now contributes. The great position which India is acquiring in the cotton marts of England is owing not only to 20 the stimulus afforded by the American war, but to the efforts persistently made by the British Government through its own Special Commissioners to improve the culture of the indigenous staple, to ensure the produce being properly cleaned and packed, and transported without damage to the seaboard: all which is aided by the pressing with European machinery 25 fast springing into use in the interior of the country. Again, the progress is remarkable with the articles produced in India chiefly through the exertions of our own countrymen. For India is now sending away annually 8 millions of pounds of tea and 37 millions of pounds of coffee; while the value of her indigo export is nearly 2 millions sterling per 30 annum, and of her silk $1\frac{1}{2}$ millions. That these results should be achieved through the direct agency of a handful of non-official English gentlemen, is one among the many wonders of the time.

Next, for opium, in round numbers the budget estimate showed under $8\frac{1}{2}$ millions: the regular estimate shows upwards of $8\frac{3}{4}$ millions, 35 being an increase of half a million. This arises not at all on the Malwa or Bombay opium, but almost entirely on Bengal opium. So far as can be seen, the Malwa opium is yielding much about the amount that was anticipated. The duty being a fixed duty of Rs. 600 a chest, the fiscal yield depends entirely on the number of chests sent for exportation; and 40 that number has as yet corresponded closely with the estimate. But the prices obtained at the Calcutta opium sales have gone considerably beyond the budget estimate. In that estimate Mr. Massey assumed a price of Rs. 1,250 (£125) per chest. For the previous year he had assumed only Rs. 1,150. Finding that this latter estimate had been exceeded by the 45 reality, he decided to go higher for this year, and so he took Rs. 1,250, an apparently high rate, according to experience of several recent years, expressing, however, a good hope that this enhanced estimate would prove moderate and would be outdone by the reality. And surely enough it has been so outdone. For up to date the auction prices have averaged 50 Rs. 1,380 a chest, and sometimes have even over-topped the high price of

Rs. 1,400.- Further, this fiscal increase has accrued notwithstanding that the Bengal authorities have only been able to bring 47,235 chests into the market instead of 48,000, or 765 chests short of what was to have been expected. This deficiency of supply was caused by the shortness of the
5 crop of last year in the Behar Province, which for want of seasonable showers was less than it should have been on the area under culture.

The receipt side for 1868-69 being thus satisfactory, how stands the expenditure side? Now, here the first noticeable feature is this, that the ordinary expenditure of all kinds, according to the improved definition,
10 has risen from $46\frac{1}{2}$ millions in the budget estimate to $50\frac{1}{2}$ millions in the regular estimate, showing an increase of $3\frac{1}{2}$ millions. But this increase is not really so formidable as it looks; for by the improved classification $1\frac{1}{2}$ million for military buildings and for communications and embankments, which were excluded from the ordinary expenditure in the budget
15 estimate, have now been included, causing, of course, a corresponding diminution of the extraordinary expenditure. And this leaves 2 millions of increase to be accounted for.

Now, the Council will be glad to hear that this increase has not arisen upon the ordinary civil and military charges incurred in India.
20 On the contrary, these heads of charge show rather a saving than otherwise. For instance, the regular estimate shows a reduction on the budget of £60,000 under the charge for collecting land revenue; of £50,000 for collecting the salt revenue; of £75,000 under law and justice; of £70,000 under police; of £100,000 for the army, and this
25 saving has been effected after defraying the extra charges (some £50,000) for the recent expedition in Hazara. All these savings speak volumes for the rigour with which economy has been enforced during the year by the various executive authorities, and for the precision now attained in our system of audit and account. On the whole, the budget expenditure
30 for civil and military charges in India stood at $35\frac{1}{2}$ millions, and the real expenditure comes out at that very sum with but a slight difference. And even that difference is explained by our having paid £200,000 (not originally estimated for) of Berar surplus to the Nizam in the just discharge of our obligations on that score. Much has often been said of the
35 uncertainty of Indian accounts. These figures go to show that as regards the civil and military expenditure *in India*—which is of course well under our control—there is no such uncertainty, and that what is budgetted for under these heads will not materially be exceeded.

Where, then, has the increase over the budget estimate occurred?
40 Why, it is attributable to public works ordinary, to expenses connected with railways, and to unavoidable expenditure in England, as I must proceed to show.

The budget grant for public works ordinary amounted, according to the improved classification, to $5\frac{3}{4}$ millions. The regular estimate shows
45 that expenditure will be incurred up to 6 millions; showing an increase of $\frac{1}{4}$ rd of a million. The increase has arisen from various causes, among which may be mentioned the outlay on central jails, and the execution of works for the relief of the population suffering from scarcity in the drought whereby some parts of India are visited.

I have just above stated that $1\frac{1}{2}$ million classed in the budget under
50 extraordinary expenditure had by the new classification in the revised 1869-70.]

estimate been transferred in the ordinary expenditure. Of this amount, $1\frac{1}{2}$ million is for the great military barracks. As explained by my predecessor last year, the scheme for new barracks for European troops throughout India was to cost from 10 to 11 millions, and the work was to be done in a period of five years. It is hoped that the estimated cost may not be 5 materially exceeded, but to secure this result the most unremitting vigilance will be needed. Be this as it may, however, the period of construction will certainly be prolonged, for the five years have now elapsed, but the work is not half done; and out of the 10 millions only 5 have been spent, leaving at least 5 yet to be laid out. But the designs had to 10 be elaborated by the best military engineers in India, and then sent to the first sanitary authorities in England for approval. Then new sites had to be selected after long enquiry as to salubrity and the like. Thus, despite every care and anxiety to push on the work, the progress for the first few years was not rapid. More recently, however, the plans having 15 become finally settled, and the establishments fully organized, great progress has been made, and during the current year no less than $1\frac{1}{2}$ million is being expended on these buildings. The result is that noble structures, providing for the married and unmarried soldier quarters equal to the best to be seen in any country, are rising up at Allahabad, at Lucknow, at 20 Hyderabad, at Poona, at Bangalore, at Indore, and at many other stations. Nothing that science can suggest to make these quarters healthy and comfortable for the troops has been omitted. At the present rate of progress and of expenditure, it is hoped that the work will be finished some six years hence, which with the years already occupied will make 25 a period of eleven years.

Out of the 5 millions as yet spent on the barracks, whether the greater part has been really borrowed or not, I shall presently explain. But the remainder, amounting to some 5 millions, is certainly to be provided for from the revenues without any borrowing on this account. This 30 is a matter lying at the very root and foundation of the Government itself, to which our fiscal resources ought primarily to be devoted. The provision thus required is therefore one of the most pressing needs of the day. And as days are like years in the life of a nation, the meaning is, that the need of the day shall in this respect be met financially in the 35 day, and shall not be put off till the morrow and the day after the morrow. At one time indeed there was hope that inasmuch as this was special expenditure, the advantage of which would be felt for ages to come, the whole cost should not fall on us now living, but should by the process of borrowing be partly transferred to those who shall come after 40 us. But reflection shows that those who come after us will have plenty to pay for without paying for any part of these barracks! Will any one say that when these barracks are finished there will be nothing more of importance to be done in this direction? Is there not sanitation to be carried out at our cantonments and stations to an extent which at present 45 can be but dimly fore-shadowed? Are there not our coast defences and fortifications to be provided for? Is there not our marine to be strengthened, a subject which has been alluded to more than once in this Council? Again, by reason of so large a proportion of our means being appropriated to military buildings, the expenditure on some other kinds of public 50 works, especially roads, has unavoidably lagged and halted. Recently we

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have not spent quite so much as we once were spending on our internal communications. When, therefore, the financial pressure for military buildings shall be somewhat lightened, renewed vigour will be required for the roads, particularly those which are called railway-feeders, as leading from the interior of the country to the various stations,——which are to supplement our railway system, and to be, as it were, the veins to the main arteries.

Speaking in 1867 regarding this very barrack expenditure, Mr. Massey made a remark which is so apposite and judicious that I shall quote it here. He said: “I should have preferred going on as hitherto defraying this charge, special and temporary as it is, out of the revenues of India. If a financier were to lay down any precise rule of separation between ordinary and extraordinary charge, there is scarcely a year in which he might not have a plausible pretence for transferring charge from revenue to capital account. I do not know how long such a process might go on. But sure I am that sooner or later it would end in a collapse of public credit.”

Such was the dictum of Mr. Massey, to which I heartily subscribe. The principle on which canals and State railways are provided for by loan is intelligible. But if barracks are to be thus treated without any clear principle and removed from ordinary expenditure, then I know not what item might not be next removed, till at last we embarked on a course of borrowing that would be fit only for bankrupt exchequers.

There is one instance of decrease under the head of public works, which is this: the item of “loss by exchange on railway transactions” has fallen from £122,700 in the budget to only £29,700 in the regular estimate. At present the practice is this: in India our exchequer advances all that is required for the construction of the railways, and receives all the traffic receipts, in virtue of arrangements originated so far back as 1849. Both our payments and our receipts are accounted for to the principal railway companies at a fixed contract rate of 1s. 10d. for the rupee, a rate as yet below the actual exchange and below the exchange of two shillings for the rupee, which for convenience sake is adopted in all the accounts between the Secretary of State and the Government of India. Thus there is a loss on all our payments and a gain on all our receipts, in the present state of the exchanges. As yet our payments exceed our receipts and the loss therefore exceeds the gain; the net result being as shown in the statement. Hereafter, when, as we may hope, the net traffic receipts shall exceed the advances for construction, the loss will disappear, and in its place there will be gain on exchange. Meanwhile the loss in this year has been less than the estimate, partly by reason of increased traffic receipts, and partly because the advances for construction have been less than what was expected.

The several items of public works ordinary which I have thus described make up the total to 6 millions, which total amounts to about 12 per cent. upon the revenues.

The next noticeable item is that of “guaranteed interest on railway capital, less net traffic receipts”, which has risen from $1\frac{1}{4}$ million in the budget to nearly $1\frac{3}{4}$ million in the regular estimate; or showing an increase of nearly half a million. This has arisen from the estimate in India for gross traffic receipts being less than what was originally expected.

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This technical description is really pregnant with significance as representing transactions of mighty import. For what does it signify? Why, it signifies that on 77 millions of capital raised for the construction of railways in India, there accrued during the year $3\frac{3}{4}$ millions of interest due to the shareholders under guarantee from the Indian Exchequer; that the gross traffic earnings of the year on 4,000 miles of railway opened in India amounted to $5\frac{3}{4}$ millions paid into our treasuries, reduced by the exchange to $5\frac{1}{4}$ millions; that the working expenses, amounting to 3 millions, left $2\frac{1}{4}$ millions of net traffic receipts; that the $2\frac{1}{4}$ millions net traffic receipts deducted from the $3\frac{3}{4}$ millions of guaranteed interest left a sum of $1\frac{1}{4}$ million shown above as ultimately debitable to the finances of the year. Originally there used to be doubts as to whether the natives of India would adequately appreciate railways. The truth is that during this present year the public in this country is voluntarily paying 6 millions sterling to obtain the advantage of railway conveyance for passengers and goods—that in the year some 3 millions of tons of goods are conveyed by rail, and that the return of passenger journeys amounts to 16 millions. As regards the national growth of British India, it is difficult to conceive figures more eloquent than these!

In the first budget statement ever submitted to this Council in 1860, Mr. Wilson gave the gross traffic receipts for that year at a little over $\frac{1}{2}$ a million, and the working expenses at a $\frac{1}{4}$ of a million, leaving a net receipt of something over a $\frac{1}{4}$ of a million. This he declared to be “a most gratifying fact, one which augurs well for the future.” Would that he were now alive to hear that in this the tenth budget statement submitted to this Council, the $\frac{1}{2}$ million of gross receipts had grown to near 6 millions, and the $\frac{1}{4}$ of a million of net receipts to between 2 and 3 millions,—that within ten years the increase had been tenfold or nearly elevenfold!

The last item to be noticed is that of net expenditure in England, including stores, which has risen from $6\frac{1}{2}$ millions in the budget to $7\frac{1}{4}$ millions in the regular estimate, showing an increase of more than $\frac{1}{4}$ million. This account being received from the Secretary of State must be implicitly accepted. The augmentation has arisen under various heads, such as the Indo-European telegraph; the marine stores; the passage of officers and troops overland. There is one important item actually incurred and not provided for in the budget, namely, £92,000 for the construction of two monitors or floating batteries for the defence of the Bombay harbour. Considering the needs of that harbour, we feel particular pleasure in admitting this item into our accounts of the year.

Thus I account for an ordinary expenditure of $50\frac{1}{4}$ millions, which, as compared with the ordinary income already shown, $49\frac{1}{4}$ millions, leaves a deficit of just 1 million.

Under the head of extraordinary public works the first item is the outlay on irrigation works, for which £800,000 were provided in the budget, but on which £852,000 are being expended in India. One main cause of the increase is the amount advanced by the Government to enable the Irrigation Company of Orissa to prosecute its life-giving works during a period of awful distress in that province, and by the immediate outlay consequent on the prosecution of these operations being undertaken by the State.

The next item is that of nearly $\frac{1}{2}$ a million for special works at Bombay, which item really represents advances from the treasury for certain reclamations and other operations on lands at Bombay,—advances which we hope to recover hereafter when the value of the said property shall be realized.

Under the same head we have, subject to the approval of the Secretary of State, opened out a new heading, which was not provided for in the budget, and that is "State Railways." These are reproductive works calculated to yield an actual income to the State sufficient ultimately for the provision of some interest on the capital outlay. In his statement before this Council last year, Mr. Massey alluded to the commencement, by direct governmental agency, of the construction of the railway from Lahore to Peshawur. Though important preliminary arrangements have been made during the year for this line, yet the expenditure is trifling, only £12,000. The sum which now appears in the regular estimate, $\frac{1}{2}$ a million, is nearly all for the Calcutta and South-Eastern Railway, which as the Council knows, runs from this city to the new Port Canning on the Mutla river. This line has been taken over by the Government at a charge amounting in the aggregate as above. Of this, nearly £200,000 have been incurred in India, and the rest in England. At first the line was unremunerative, but under its present good management it begins to pay its working expenses.

The total extraordinary expenditure, including the sums above mentioned for irrigation, for special works at Bombay, and for State railways, will amount to $1\frac{3}{4}$ millions. This exceeds the corresponding expenditure of the preceding year, 1867-68, which was under $\frac{3}{4}$ of a million.

On the whole, the grant for the public works ordinary and extraordinary of the year amounted to close upon 7 millions, and is about as large a grant as has ever been made. But it is being exceeded by the expenditure, which will amount to $7\frac{3}{4}$ millions, the excess being $\frac{3}{4}$ of a million, and the expenditure being decidedly the largest ever yet attained in one year. It is important to notice this, because in former budgets consideration has been justly had to the probability of the grants or allotments for public works not being fully used.

The result of the regular estimate, then, is an ordinary expenditure of $50\frac{1}{4}$ millions, which with an extraordinary expenditure of $1\frac{3}{4}$ million swells to 52 millions. The $50\frac{1}{4}$ millions of ordinary expenditure, compared with the revenue of $49\frac{1}{4}$ millions already exhibited, shows a deficit of 1 million. The 52 millions, including extraordinary expenditure, shows a deficit of $2\frac{3}{4}$ millions. The Council will remember that the budget estimate showed a total expenditure, ordinary and extraordinary, of $49\frac{1}{2}$ millions, against a revenue of $48\frac{1}{2}$ millions, with a deficit of 1 million. But as the year advances it is seen that this deficit is becoming more than doubled in the regular estimate, and the expenditure of the year is exceeding the budget by $2\frac{1}{2}$ millions. I may state in recapitulation of what has been already explained that this excess has hardly at all arisen on civil and military expenditure in India, but has really arisen on the purchase of a railway by the State, on the guaranteed railway interest, on public works ordinary, and on the expenditure in England.

The Council will remember that in his statement of last year, Mr. Massey mentioned that we should begin this twelve-month with £800,000 1869-70.]

in hand, unexpended balance of loans, and expressed a hope that no borrowing would be resorted to during the year. It will now have been seen that the above balance has been more than used up for irrigation alone. Besides that there have been the other extraordinary works above described. And it has accordingly been found necessary to borrow to a limited extent in England, that is, about $\frac{2}{3}$ of a million.

Raised in England $\frac{2}{3}$...	£1,236,000
Less debt discharged ...	£ 502,600
	£ 733,400

We began the year with a cash balance as now actually ascertained of 12 millions, which was at that season enough, and no more. Besides the increase of the deficit, these balances were reduced to the lowest ebb compatible with safety, by an important cause which I will now mention.

During the past and the present years (1867-68 and 1868-69) the Indian Exchequer has had to advance most of the sums required for the expedition to Abyssinia. These advances from first to last have amounted to about 7 millions, being fully 2 millions more than the anticipation. This aggregate represents only the sums chargeable to the English Government, exclusive of the ordinary pay of the troops that proceeded from India, which is chargeable to India. With such events in progress, all foresight as to the total amount was of course baffled. These sums are recoverable from Her Majesty's Exchequer, and they are being duly recovered from time to time; the greater part indeed has now been repaid. But as the advances had to be made on the instant, and as the recoveries must necessarily occupy some little time, the pressure meanwhile became severe on our treasury. As temporary emergencies arose, the Bank of Bengal and the new Bank of Bombay rendered aid, partly with their own available balances and partly with the balances which the State has to keep with them under the agreements. Besides this, the Bank of Bengal afforded temporary and special loans which from first to last aggregated $1\frac{1}{4}$ millions. These loans have been already paid off in part, and the rest is in course of repayment.

Further, the accounts of the expenditure incurred in India for Abyssinia are being made up at Bombay. Although the forces only in July last returned from the expedition, yet by this date some 6 millions, or nearly the whole of the expenditure, have been adjusted and passed. Those who remember how the accounts of former campaigns in Afghanistan, in the Punjab, in China, used to drag their length over years and years, will appreciate the changes which have been introduced into the account department.

Thus ends the year 1868-69, with a deficit on ordinary income and expenditure, being the third consecutive year on which deficit is leaving its mark. The deficits of the three years amount to just $4\frac{1}{2}$ millions, total deficiency on income and ordinary expenditure, viz., the deficit in 1866-67 of $2\frac{1}{2}$ millions, that in 1867-68 of 1 million, that in 1868-69 of 1 million. These are, of course, exclusive of the extraordinary expenditure since 1867-68 on reproductive works, which I do not reckon here at all.

But how has this aggregate deficit of $4\frac{1}{2}$ millions been met? Why,

		India. £	England. £	Total. £
5	1866-67 ...	600,000	2,641,900	3,241,900
	1867-68 ...	1,329,800	1,163,907	2,493,707
	1868-69 ...	.....	724,000	724,000
	Total ...			<u>£6,408,607</u>

by loans. During these three years, $6\frac{1}{2}$ millions have been borrowed either in India or in England and added to our national debt. Of this sum there were 2 millions expressly borrowed for extraordinary and reproductive works, and

10 certainly this money has been fully and fairly devoted to its proper purposes, for during the three years the total outlay on irrigation, and on the Bombay special works, have exceeded 2 millions; indeed it has come up to $2\frac{1}{2}$ millions. Besides which one railway has been purchased for half a million.* So that in truth we have spent 3 millions for these reproductive works. Again for the barracks $3\frac{1}{2}$ millions have been expended within the three years. Thus the loan money is fully accounted for.

On the other hand, as the barracks are now included in the ordinary expenditure, the $3\frac{1}{2}$ millions spent on them within the three years may go far to account for the $4\frac{1}{2}$ millions of deficit. In other words it may be 20 said that the balance of the loan after defrayal of the reproductive works expenditure—which balance amounts to just $3\frac{1}{2}$ millions—has gone to make good in part the deficits between income and ordinary expenditure.

From this point of view we might hold that had it not been for the barracks, the deficits on ordinary income and expenditure would not have 25 occurred, and these loans would not have been necessary. But it would thence follow that the new barracks have for the most part been constructed from borrowed money.

When my Right Hon'ble predecessor (Mr. Massey) spoke of surplus or equilibrium during these years, he was correct according to the 30 view then adopted, whereby the barracks were excluded from the account. Now, however, that it has been decided, with the express sanction of the Secretary of State, that these are to be included, we must face the plain fact that we have been and still are in a state of deficit. It is essential to place this fact in a clear light in order that we may adequately arrange 35 for the coming year. For the difficulty, though not serious, is yet such as to demand decisive measures for its immediate termination.

But while giving this explanation in justice to what has been previously done, I do not at all mean to admit that the barracks *ought* to be selected as *the* cause of deficit. On the contrary, I say that barracks 40 ought *not* to be thus singled out from our general expenditure.

Before quitting the present year, I must crave a few moments for the mention of one or two administrative measures connected with finance.

The circulation of the State paper currency has now risen above 10 millions, it has more than once approached 11 millions. When the Government took this matter up six years ago, the total note circulation of 45 the several Presidency Banks amounted in all to $3\frac{1}{2}$ millions. Within this period, then, the circulation has trebled, and has now reached to about one-third of the amount, 30 millions, which its founder, Mr. Wilson, contemplated as the possible limit to which paper currency in India might 50 ultimately expand. It has established itself not only at the Presidency towns, but at the great centres of the interior of the country, such as

* £ 544,273.

Allahabad, Lahore, Nagpore, and Kurrachee. During the year, we have, by purchasing $\frac{3}{4}$ million of public securities—virtually reducing the national debt by that amount—raised that portion of the reserve from $3\frac{1}{4}$ millions to 4 millions, the limit allowed by law. This measure was justified by the steady expansion of the circulation. The gross profits to the State from the Currency department will amount to £170,000 annually. The notes, too, are used by merchants to the value of some millions annually for purposes of remittance, whereby great convenience has accrued to trade. Further improvements in the arrangement of circles of issue in order to facilitate the convertibility of the notes are under consideration.

The amount realized from the sale of waste lands now amounts to £300,000. This has been invested in Government securities, public debt to this amount being regularly cancelled. This seemed necessary in order to give full effect to the intention of the law.

The provision of an effective gold currency for India has engaged our earnest attention. The offer of 10 Rupees for the sovereign at our treasuries by the Notification of 1864, having been found by experience to be insufficient to attract sovereigns and to fulfil the declared intention of facilitating the circulation of that coin, we determined in November last to offer Rupees 10 and 4 annas for the sovereign—a rate more nearly approaching to its intrinsic and market value. This measure has met with some success, for already upwards of 100,000 sovereigns have been received at our treasuries and taken out again by the public. We have also removed the prohibition existing since 1852 against receiving at our treasuries the gold pieces coined under Act XVII of 1835, of which coin numbers (more than $1\frac{1}{2}$ million) have been and still are being coined at our mints in exchange for gold bullion received from the public; a sure proof of the popular demand for them. Thus, by improving the rate offered for the sovereign; by assimilating it to the standard established by law for coinage of gold in India; by restoring the status which the Indian gold coins properly possess, and which they only lost casually in 1852, we hope to obtain such a circulation of gold coins in India as may hereafter justify their being declared to be legal tender. I cannot pass from this topic without recounting the aid derived from the special knowledge and experience of Mr. Dickson, Secretary to the Bank of Bengal, and of our colleague His Excellency Sir W. Mansfield. Indeed, if India, by the means now adopted, shall enjoy the benefit of a gold currency, that will be largely owing to the exertions of His Excellency.

The Government Savings Banks at the three Presidency towns are flourishing: they have in all some 25,000 thousand depositors, chiefly native, and some £650,000 of deposits. Their success has encouraged us to devise measures for the ramification of these institutions throughout the interior of the country.

The "Money Order Department," established on the model of similar departments in England, has attained a considerable development throughout India. Its transactions during the year amount to an aggregate of a million sterling. The further expansion of the system is under consideration.

In the Postal Department we have decided to carry half a tola, instead of the quarter tola, for $\frac{1}{2}$ an anna. This concession to the public

is justified by the increase of correspondence since the reform of the postage in 1854, the number of covers, public and private, having risen from 30 to 70 millions annually; the receipts from private postage having risen from £200,000 to 400,000 per annum, and the department having
 5 so extended as to cover 50,000 miles of communication and to number 20,000 employés.

Following the postal principle, we have substituted for the Electric Telegraph fixed rates for all distances, instead of the former tariff, variable according to distance. Accordingly, a message of ten words can be sent
 10 to any part of India for a rupee. It is hoped that a stimulus will be hereby applied to telegraphic communication in this country.

The prices commanded in the market by our Government securities have been satisfactorily high. During the current year the premia on the Government 5 per cent. stock have ranged up to 10 per cent.; those
 15 on the 5½ per cent. stock up to 15 per cent. The prices of the Indian stock created in England appear to have been at least as favorable, perhaps even more so. These rates indicate that our credit stands as high as, or higher than, ever, and will bear comparison with that of other prosperous nations. Such facts, too, contrast happily with the state of
 20 things but a few years back, when our stock was at discount, and when our open loans would not fill! But this credit, so mighty a resource to Government as well as to individuals, can only be maintained by our ensuring public confidence in our firmness and resolution to produce an equilibrium of income and expenditure.

I must acknowledge, after trial and proof, the remarkable improvements introduced into our system of audit and account by the commission from England, consisting of Messrs. Foster and Whiffen, appointed at the instance, and acting under the supervision of my predecessor
 25 Sir Charles Trevelyan.

I have given much thought to a subject which has long engaged the attention of the Government of India, namely, the financial relations between the Central Government of India and the Local Governments of Madras and Bombay. I cannot say more at present, as the question
 30 is still under consideration.

I have now cleared the way for dealing with the third and the most interesting part of my subject, namely, the budget estimate for the coming year, 1869-70. I shall touch first on the receipts and then on
 35 the expenditure.

The total of the revenues for the coming year is taken at 49½ millions, being a little over the amount which we are receiving for the present year. This total of 49½ millions is the highest at which the revenues of British India have ever been set down, and it exceeds by
 40 ¾ million the budget estimate presented this time last year. The Council will be doubtless gratified to see that I am able to present such a statement. Still a glance at the main items of revenue will show that the estimate
 45 is scrupulously moderate. The great heads of Land Revenue, of Customs, of Salt, of Opium are all taken at fairly low figures. If the seasons had been less unpropitious than they have been, then these amounts might have been higher. If we shall hereafter be blessed with
 50 copious and timely rain, the estimate of income may be fortunately exceeded.

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Regarding those items which depend on the state of trade, we have framed our estimate after consulting all the best informed authorities on the spot, and after revising the tariff valuation, in order to suit the depressed prices obtained for various staples of commerce.

Regarding those items which depend on the state of the harvests, 5 we have looked to the consequences of the drought by which some parts of India have been suffering. The recent rains—life-sustaining, though so long delayed—with which the country has been refreshed, have no doubt improved our prospects. The gloom which overspread some provinces has been brightened, and drooping spirits have been resuscitated among an in- 10 dustrious population which had for months been gallantly struggling with adverse circumstances, alternating between hope and despair, and striving with fortitude, diligence, and foresight to supplement artificially those resources which the natural seasons had failed to afford. At this crisis the railways have been of signal service to humanity, for they have 15 carried, first and last, some fifty thousand tons of grain food to the hunger-stricken districts during this season. The Ganges and Jumna canals, too, have during the year nearly doubled their irrigation, and have watered nearly a million of acres. So praise-worthy have been the efforts of the people that even now, at this late hour, it is thought that 20 the worst for which we were so fully prepared may yet be averted, and that if only a bountiful rain shall be vouchsafed next season, the country will recover from the effects of the visitation. In that case the agricultural resources on which our land revenue depends may not prove to be impaired, and the tolerably favorable estimates now presented may stand 25 good. But if the next rains shall be at all unpropitious, and a second misfortune be piled upon the first, then the result will be too sad and serious for anticipation.

These considerations have specially affected the opium revenue. The province of Behar, the very home of the poppy, has been among the 30 most drought-stricken districts of all. The crop, short last season, will be shorter still this season. The number of chests brought to sale this year has been below the standard* by some hundreds of chests; next year it may be deficient by some thousands. For Bengal opium the exact number of chests has been taken month by month. This number is cer- 35 tain for three-quarters of the year. The uncertainty is in the price to be realized per chest. The average price has been assumed at Rs. 1,330 (£133) per chest, that being about the average actually realized during the past three years, though less than the average, Rs. 1,380 (£138) per chest, obtained during the current year. For the Bombay opium, the full 40 amount has been taken according to the experience of the present year. The total result of the opium revenue has been further tested by the gross average of the past three years, which, amounting to $8\frac{1}{2}$ millions, sufficiently bears out the sum, $8\frac{1}{2}$ millions, now set down. Thus, although the sum estimated for the coming year is half a million less than that 45 which is being realized in the current year, and is below the average of the three past years, thus showing a really cautious estimate, yet it is as high a sum as could safely be taken, in the face of the deficient supply with which we are but too certainly threatened. The Council will see that the whole of the expected revenue has been taken credit for without 50 any reserve being formed.

* 48,000 chests.

The Government of Bengal is taking active measures for increasing the supply of opium for the China market to 50,000 chests annually, and for securing a reserve supply (of at least 10,000 chests) which may assure the public as to the quantity to be brought to sale, and may con-
 5 duce to the checking of undue speculation in prices. There is fear that
 - unless the supply can be improved next season after these two deficient
 seasons, the cultivation of the poppy in China itself will be stimulated.

For some time past positive accounts have been received of the increase of this culture in China. So it is clear that unless Bengal produces
 10 enough opium, the Chinese will raise it for themselves. And if the
 Chinese will have opium, they may as well get it first rate from us, as second rate at home, and they may as well consume it taxed as un-
 taxed. Again, if they do not procure it from us, they might procure it from other countries of Asia. The culture of the poppy in Persia is
 15 increasing, and some 4,000 chests are exported annually from that
 country to China. The propriety of substituting an open excise system in Bengal for the present direct governmental agency, has been under
 consideration. But the propriety of such a change on either moral or
 20 practical grounds is not as yet established to our satisfaction. On
 the other hand, it is a serious thing to make a change in a case where
 such critical interests are concerned, where despite fluctuations the fiscal
 progress has been so great and so steady, and where the system works
 well to the satisfaction and contentment of the peasantry concerned in
 the cultivation.

25 The revision of the salt duties throughout India has engaged and
 is still engaging our anxious consideration. The inequality in the rates of
 duty and the market prices of such an article as salt in different portions
 of the empire is indeed to be deplored. But though there are present
 obstacles, financial and other, in the way of equalization, we shall bear
 30 this steadily in view as an object for ultimate attainment. But after all,
 what the northern people want, even more than reduction of duty, is
 increased facility of supply by the construction of railways to the saliferous
 tracts and by the encouragement of local manufacture of salt—to
 all which matters immediate attention is being afforded.

35 As the Council knows, there is a revision going on of the schedules
 of the Stamp duties; but no provision has been made for the fiscal effect
 of any changes, as they have not yet been finally determined.

The item of assessed taxes I shall reserve for separate mention after
 the balancing of income and expenditure.

40 Such, then, being the receipts, how stands the expenditure for the
 coming year?

45 The total of ordinary expenditure is set down at 49½ millions, being
 some fifty thousand pounds below the total of receipts. In other words,
 there is a real equilibrium between expenditure and income sufficiently
 assured by the exhibition of a small surplus of fifty thousand pounds.
 This expenditure is 1 million less than the expenditure of 50½ millions
 for the current year 1868-69 incurred for precisely the same purposes,
 and thus accurately compared.

There is a slight increase, after every practicable retrenchment, in
 50 several of the Civil departments. The Council would be wearied if I
 entered on the details of this. Suffice it to say that the demands for
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administrative improvement in every direction are irrepressible; and these involve expense. Again, the general rise in wages and in prices of all things, which have doubled or even trebled within the last few years and are still on the ascendant in most places, has for some time past caused, and is still causing, the former scales of pay and of salaries to prove 5 insufficient. In justice to the many classes of its meritorious servants, the Government has been obliged to concede increase of emoluments to the employés of all grades, from the lowest upwards, in all departments, from 15 to 30 per cent. The only general exception to this has been the case of the Covenanted Civil Service, of which the emoluments remain 10 much as they were.

There are only a few items of expenditure which need now be noticed. That for police amounts to nearly $2\frac{1}{2}$ millions. The police of India under its new organization was originally estimated to cost 2 millions; the subsequent tendency to increase has been largely owing to the establish- 15 ment of Municipal Police.* Much care will be needed if the sum total is to be kept down at its present figure. The educational grant stands at upwards of £900,000, or nearly a million, being slightly above the expenditure of the current year. The allotment for Law and Justice, including prisons, now exceeds $2\frac{3}{4}$ millions; and is constantly increasing from the 20 creation of new courts and departments. The grant for medical services has risen about 15 per cent. within the last two years. This is owing to the substantial recognition of the medical profession by increased pay, and to the position which sanitation is fast asserting for itself. The cost of forest conservation is also rising: this is attributable to the organization 25 of professional forestry, and to the husbanding of that vast wealth in timber with which Nature has endowed the continent of India.

The military expenditure in India is estimated at upwards of $12\frac{3}{4}$ millions, being almost the same amount as that which is shown for the current year. This is of course exclusive of some $3\frac{1}{4}$ millions of expen- 30 diture in England. The sums of 21 and of 16 millions are the highest annual figures which our military expenditure in India has reached. After the great retrenchments which took place between the years 1860 and 1863, upon the above amounts, the sum of $12\frac{3}{4}$ millions (in 1863-64) is the lowest figure to which our military expenditure in India has fallen. 35 Since then the charge has slightly increased, notwithstanding that the European force has been reduced by some 7,000 men. It might be expected that such a reduction of force would have caused a considerable reduction of expenditure. Instead of this, however, there has been an *increase*, despite constant efforts to keep down the charges,—a fact which 40 points to the need for redoubled economy. The increase, so much to be regretted, is in part attributable to unavoidable causes, such as;

the warrant regarding the clothing and pay of the European troops and the inducements to re-engagement at an earlier date;

the increased subsistence allowance to the wives and families of 45 European soldiers;

the additional pay allowed to native commissioned officers; the grant of good conduct pay to the sepoys at an earlier date; the continuance of batta to men on leave; the increased rates of hutting money;

* For the charge for Municipal and Railway Police there is a set-off on the receipt 50 side of £300,000, for municipal and railway contributions credited to the State.

the increased pay of medical officers, of the medical staff and establishment, the re-organization of the warrant or subordinate medical establishment;

- the abolition of half batta;
- 5 the net cost of the staff corps;
- the compensation to native troops for dearness of provisions.

These main items have caused an increase of annual charge by £950,000, to counterbalance which further savings are required, if such can possibly be made. Certainly there are categories of increased charge 10 which call for restraint. The commissariat charges, though in some places creditably economical, are hardly so in all places. The charges of the hospital departments, of the ordnance, of the barrack department, of the stud, of the army and garrison staff, are constantly mounting upwards.

The charge which some years hence will accrue to the State from the 15 present organization of the staff corps of India has engaged our anxious care. The question as to what measures should be adopted in respect hereto is still under consideration.

Doubtless the growth of army expenditure, though slight and gradual, requires check in every branch and detail; which check we shall 20 assiduously apply.

For public works ordinary, exclusive of railways, the allotment stands at $5\frac{3}{4}$ millions, being just over the amount expended in the current year, and being about the largest grant ever yet made for this important object. It includes nearly $1\frac{1}{2}$ million for the military buildings, of which 25 the importance has been already explained—an amount which will enable the engineers to maintain the present rate of progress. This category includes all the expenditure for these buildings, of which not a farthing has been transferred to the heading of extraordinary. Further, in public works ordinary, including railways, every kind and sort of item has been 30 included, save those for new irrigation works, for the Bombay special fund, and for State railways, which three items alone have been classed as extraordinary.

The guaranteed interest on railway capital, less net traffic receipts, stands at $1\frac{1}{2}$ million, making up to about 15 millions* the amounts which 35 the Government of India from first to last has paid for the cardinal advantage of possessing railways in the country. Inasmuch as the outlay for the thousands of miles of line yet to be constructed will be going on to the amount of 3 or 4 millions annually, it is calculated that this item of $1\frac{1}{2}$ million for guaranteed interest will not decrease for many years to 40 come, but may increase to $1\frac{3}{4}$ million. It is manifest that much depends on the administration of the railways, the merits or demerits of which might easily make a difference of $\frac{1}{4}$ or $\frac{1}{2}$ a million in the State budget of the year. The growing importance of railway finance will hence be apparent to the tax-payers of India. After deduction of the working 45 expenses from the estimated traffic earnings of the coming year, it is calculated that the East Indian Railway will be paying $4\frac{1}{2}$ per cent. on paid-up capital, the Great Indian Peninsular 3 per cent., the Madras Railway 3 per cent., and the other lines from 1 to 2 per cent. It seems clear that some of the lines will certainly pay the 5 per cent., and will relieve 50 the State of its guarantee obligation on more than half of the capital as yet laid out. But the remainder will not pay for some time to come—
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involving perhaps one-third of the aggregate capital, on which the State will have to pay permanently a part of the guaranteed interest. It is well to remember this, inasmuch as within the next ten years another 30 millions on railways may probably be expended.

Such, then, is the ordinary expenditure for the coming year, which has not been allowed to overbalance the income. But in order to explain exactly how this equipoise has been obtained, I must ask the Council to revert to the item of assessed taxes, of which I just now promised a further notice.

It will be seen that £900,000 are set down as the anticipated produce of assessed taxes for the coming year. The certificate tax of the current year is expected to yield £520,000. The same tax, had it been continued for the coming year, is supposed to be capable of yielding as much or more, say £550,000. But to this has been added £350,000, making up the total of £900,000 shown in the budget. Now, by what means is the extra £350,000 to be obtained? Why, by converting the certificate tax into an income tax. Without this resource our income would fall short of our expenditure by more than $\frac{1}{3}$ rd of a million, and a deficit to that extent would have been exhibited in this budget. The Government of India, after considering the deficiencies which have occurred in three consecutive years, as I have already explained this day, and after causing the accounts to be made up according to the orders of the Secretary of State, has determined, so far as in it lies, to put an end to deficit. We cannot, at such a time as this, consent to appear before the public with a deficit in our budget. We have therefore preferred the alternative of asking this Council to vote us the power to cover by an income tax the deficit which must otherwise be presented. Such, then, is the proposal which I shall have, on behalf of the Government of India, to submit to the Council, together with a request for leave to introduce a bill for the purpose. The necessity of avoiding debt in time of peace for ordinary expenditure, and of plainly making both ends meet, is the ground on which we mainly base this proposal. The probable occurrence of this necessity was foreseen some months ago, and a reference was made by us to the Secretary of State, whose approval has been received to the course which we propose to adopt.

The principle of the existing certificate tax is in fact that of an income tax on particular classes, so that the substitution of an income tax proper will practically not much alter the taxation of those who pay the certificate tax. The taxation will be virtually extended to those sections who are now exempt, and will apply equally and justly to all sections alike without distinction. Moreover, the principle of rough assessment, as observed in the certificate tax, should, we think, be maintained, with some modification of detail, in the schedule of the income tax. The mean incidence of the certificate tax was about 1 per cent. on profits; we propose to keep this rate for the income tax also. The limit of income down to which the certificate tax descended, Rs. 500 (£50) per annum, will be observed in the income tax. Servants of Government or of Companies, as well as those of firms and private individuals, were exempted under the certificate tax if their salaries were less than Rs. 1,000 for the year. For the former class the assessment will now be at one per cent. on all salaries of Rs. 41-10-8 per mensem, equal to Rs. 500 per annum, and upwards.

[1869-70.

The latter class will be assessed like their neighbours under the schedule. Pensions and annuities will be similarly assessed. We have introduced various minor improvements intended for the convenience of the tax-payers.

The advantage of keeping up the principle of rough assessment in the schedule is the avoidance of individual assessment, of any inquisitorial process which such assessment may involve, and of the demand for returns of income. The advantage of adhering to the 1 per cent. rate will be this, that those who pay the certificate tax will continue to pay much in the same way as heretofore, without any sensible change, and the avoidance of change is well known to be an important point in dealing with the Natives of India. The advantage of observing the 500 Rupees (£50) minimum limit of income will be this, that the measure will be confined to the upper and middle classes, and will not affect the mass of the people. In that respect the new income tax will be preferred to the old, which went down so far as Rs. 200 (£20) of annual income. It is calculated that not more than 150,000 persons will be assessed to this income tax, out of 150 millions of population, so that the tax will hardly touch more than one in a thousand. In short, our hope is that by eschewing change in respect to those who now pay a direct tax; by refraining from demand for returns; by removing the measure from any contact with the poorer and more ignorant classes, we shall keep it comparatively free from much of the unpopularity which attached to the income tax of 1860, and thus, as it were, rob the measure of its sting.

Should it be thought that the arguments, if good for anything, are good for a 2 per cent., rather than a 1 per cent. rate, the answer is that 1 per cent. seems to be sufficient. It produces an equilibrium after a fair allowance for the defence and administration of the country, and for moral and material improvement, and after including enough for military buildings to ensure the present rate of progress. The Council will remember that all other taxes ever contemplated have been condemned; that the income tax is our chief fiscal reserve; that in war or other emergency we could hardly assess it at more than 5 per cent., so that now in time of peace we are to use up $\frac{1}{3}$ th of our fiscal reserve. It is desirable not to trench more than is absolutely necessary on such a reserve. It is also desirable not to ask the country to bear even a fraction weight of burden more than can be proved to be indispensable.

If it be said that sufficient care is not given to retrenchment of expenditure, and that by a little more cutting and clipping a small deficit might be obviated without putting on an income tax, the answer will be that retrenchment has been already pushed to its reasonable extremity in order to cut the coat of our expenditure according to the cloth of our income. It is perhaps a curious fact that when the materials of this very budget were received from the eight local Governments, the twelve imperial departments, the 225 treasuries, and were collated in the Financial Department at Calcutta, the revenues came out less, while the ordinary expenditure proposed was more, showing a balance against the country. This adverse account has by scrutiny in the Financial Department, and by help of the later and more complete information available to us, been reduced to the equilibrium now presented to this Council. After all, the expenditure in India is taken at less by half a million than what it is for the current year. This may be accepted as some proof of economy in the 1869-70.]

budget. Further than this we cannot retrench at present. If we were to do so, the parties concerned would during the course of the year remonstrate, and we might be virtually forced to allow items which had been dissallowed. We hope to maintain the retrenchments so carefully made; but it would be worse than futile to attempt any retrenchment 5 which cannot be maintained.

If it be supposed that we might have devised other means of improving our resources and thus saved the necessity of an income tax, then I say that no supposition could be more unjust to the Government of India. For we have over and over again thought of every tax that has 10 ever been suggested;—to almost all some insuperable economic objection was apparent,—the income tax alone remaining comparatively free from objection, as hampering no particular trade and fettering no industry. We have even refrained from doing some things we wished to effect, such as the abandonment of some of the export duties which are shackles on our 15 domestic industry, the diminution of the rate of import duty on some metals of which the prices are depressed, the abolition of the inland sugar duties, the reduction of the salt duties in some provinces. We really have postponed the fulfilment of these our cherished desires, in order that the saddle of the income tax might sit lightly and easily on the 20 country.

If it be urged that there is hardship in the imposition of an income tax, when the necessity might be avoided by transferring the cost of the new barracks to the extraordinary category, inasmuch as the work, though heavy now, will soon be finished off and disappear—this argument has 25 been already answered to-day. It suffices to recapitulate that there is no sort of reason why barracks should be selected in such an arrangement more than any other item of our ordinary expenditure; that the work will not be done for years and years to come; that when it is over, other works just as costly will be turning up; that the European troops must 30 be properly housed; that the housing of our soldiers is among the very first charges against our revenues; that the running into debt for such a purpose would be intolerable; that we *must* pay our way to this extent in time of peace, if we are to prove worthy of our status as a Government; and that any such arrangement would be contrary to the orders 35 of the Secretary of State.

Again, if it be argued that the income tax, having been first imposed when the finances were in disorder, ought not to be reimposed now when the finances are flourishing, the reply would be that experience does not show that we can afford altogether to dispense with direct taxation. For, 40 when after a period of deficit a short period of surplus enabled Sir Charles Trevelyan to allow the first income tax to expire, there followed but one year of surplus. Then sure enough deficit reappeared, and Mr. Massey was obliged to propose a license tax (1866-67). Thus, no sooner had the income tax expired, than its resuscitation in another form became neces- 45 sary. The license tax having lasted for a year, Mr. Massey resisted all demand for its repeal, and continued it in an improved form as a certificate tax. That he was perfectly wise in so doing is proved this day, when I have to come before the Council with the longest story of deficit that has been narrated for some years. The moral of all this is, that the great 50 convulsion of 1857, so fraught with trouble, yet so fruitful in reform,

does to this hour make its effects felt, and that the country must brace itself to bear the small sacrifice of a light income tax in consequence.

Lastly, though this income tax is applicable to all alike above a certain limit of income, there are some important classes who immediately occur to our thoughts such as the fundholder in India, the landholder and houseowner, who will be required to aid in bearing a burden already borne for the last two years by several classes of their fellow subjects. The fundholder in India, conscious that the value of his property in the market so largely depends on the financial credit of the Government, will not demur to a contribution to a tax which in England has been always held to be applicable to income from the public securities. The landholders, especially the zemindars under permanent settlement, convinced from long experience of the inviolable faith kept with them by the State, cannot regard this measure with any distrust, but will submit to the law, if it shall be enacted, with that loyalty which befits gentlemen of accumulating wealth and of liberal education, recollecting that the question of their liability was thoroughly settled long ago, and that in each cycle of years the progress of Bengal—with its staples profitably exported to England, its network of water communication, its patient and thriving peasantry—enhances their debt of gratitude towards the Government under whose sway their property has been so vastly benefited.

The European community for the most part already pay the certificate tax. Their taxation will be changed but little if at all by the income tax. They have shown so much public spirit in respect to direct taxation whenever its necessity was demonstrated, and they are so well aware that financial solvency is one of the first conditions of our political safety in this country, that their support on this occasion is confidently anticipated.

And everybody, European or Native, will, we trust, appreciate the justice of taxing all classes alike without exception.

The question of allotting to the Local Governments a portion of the income tax proceeds for public works has been considered; but the concession cannot at present be made.

So much then for the ordinary income and expenditure.

Besides this, however, there is a proposed extraordinary expenditure of $3\frac{1}{2}$ millions, of which $2\frac{3}{4}$ millions are for the irrigation works, and the rest for the Bombay special works and the State railways. The amount may seem large: but it includes 1 million to be paid in England for the transfer to Government of the Irrigation Company's projects in Orissa and Behar: and $\frac{1}{2}$ million of stores and plant for the Lahore and Peshawur railway. This full sum, if sanctioned by the Secretary of State, will have to be raised by loan. The expenditure in India of $1\frac{1}{2}$ million on irrigation is to be mainly for the noble projects in Orissa, in Behar, in the Cis-Sutlej States, in the basins of the Jumna and the Ganges in Lower Bengal, in the British Deccan, and in other places. This will be the first year in which the principle of borrowing for reproductive works comes into something near full operation. It must be some time before any return is received for this outlay. And for fear of going too fast ahead, we should pause before exceeding the amount proposed for loan this year. The original cost of these works is already shown in our Budget Statements; the question as to how far it may be 1869-70.]

possible to show separately the gross income and the current expenses of these reproductive works, is undergoing careful consideration.

Indeed we are launching out on a sea of improvement. The next ten years may see another 40 or 50 millions for reproductive improvements added to the existing 100 millions of our national obligations. 5 Can any fact be more potent than this to prove that we must gird ourselves for the task before us, by establishing that equilibrium between income and *ordinary* expenditure which will be the surest basis of our public credit.

The total expenditure for the year, ordinary and extraordinary, is put at 52½ millions, the highest figure ever yet reached. It has been some- 10 times observed that our present form of Budget Statement, (which is, however, authoritatively prescribed,) by showing the expenditure in England in the aggregate, does not exhibit in one view the cost of some great departments whose expenses are incurred partly in England and partly in India. I append a supplementary statement showing the com- 15 bined expenditure, English and Indian, of the several departments. In this point of view, the cost of the army stands at a little over 16 millions; that of marine at something under 1 million; and the interest on the public debt at 4½ millions, of which the sum of £180,000 is on capital raised for reproductive works. 20

I have now to mention what loan arrangements will have to be made in order to meet all this expenditure. On the one hand we have to provide for 3½ millions for reproductive and extraordinary public works as above described; ½ million of public debt to be renewed in England and ½ million in India, or one million to be renewed in all; ½ million to be raised 25 in India to recoup our cash balances for sums lent or to be lent to the Municipalities of Calcutta and other places. These items amount in all to 5 millions, or 3½ millions of new debt, 1 million renewal of former debt, and ½ million of debentures at short currency, which will not add to the permanent debt. These are all subject to the approval of the Secre- 30 tary of State. On the other hand, 2 millions have already been set down by the Secretary of State to be raised in England. We propose to raise in India ½ a million on long term debentures in renewal of existing obligations; and to issue debentures, for short terms not exceeding one twelve-month, of the nature of exchequer bills, up to ½ a million. By 35 the latter issue we hope to provide for the temporary requirements of the cash balances without trenching on the resources of the Presidency Banks. There remain two millions to be raised, regarding which we shall immediately solicit the instructions of the Secretary of State. In these various ways the amount of 5 millions above stated will be provided for. 40 If we shall have to advance any additional sums to Municipalities during the year, such amount will have to be raised by loan.

With these several arrangements (which are subject, of course, to the sanction of the Secretary of State) we shall probably close the coming year with a cash balance of 11½ or nearly 12 millions, much the same 45 as that with which we are closing the current year. These amounts indicate that our cash balances are not even yet restored to their proper proportions. By the experiment of issuing short term debentures, as above mentioned, we hope to work with a somewhat less cash balance than heretofore. If as the year proceeds the accounts shall be unfavorable, some 50 additional temporary resource will have to be provided.

The last statement to be noticed is that of the cash balances in India. This statement includes not only all the regular receipts, and disbursements in India besides the remittances to England, but also all the "debt," or, as it might better be called, the "deposit." This technical debt has nothing to do with the public or national debt, but it arises in this way. In some respects our Exchequer serves as a great bank of deposit. It receives and keeps the money belonging to the local funds, to the funds, pensionary and others, of the Services civil and military; to the Judicial department; and to a variety of depositors. It serves as general banker to the railways and receives all their traffic earnings. It also acts as a banker for much of its own remittances. In these several ways there is made up a vast aggregate of many millions of deposit receipts shown on one side of the account, balanced by a corresponding amount of disbursements on the other. We shall commence the new year on the 1st April with a cash balance of close upon 12 millions; we hope also to end it with a sum of nearly 12 millions. On the receipt side of the statement there are upwards of 49 millions of revenue; 3 millions to be raised by loan; some 13 millions of deposit, of which latter the 3 millions of our local funds income forms a part. The above 3 millions of loan is exclusive of the 2 millions to be raised by the Secretary of State, which have been allowed for on the other side of the account. Then there are some 3½ millions of other receipts, railway earnings and the like. All these, together with the cash balance in hand, make up the grand total to 80 millions. This is balanced on the disbursement side by some 43 millions for service in India; by some 14 millions on account of debt and deposit, including some 3 millions expenditure from local funds; and some 11 millions of other payments, including those for the Secretary of State's bills; all which, together with the cash balances, make up a counter sum of 80 millions.

Thus, for the coming year 1869-70, the national balance sheet of British India, including all the transactions of its Exchequer, shows 80 millions on each side of the account, truly a high figure demonstrative of the calibre of our power in the East! And now, with the mention of this spirit-stirring fact, I shall conclude my exposition.

Such is the budget for 1869-70. The main points of the exposition are;

that the entire expenditure on the new barracks is included in ordinary expenditure and charged against revenue;

that on the two years under review, 1867-68 and 1868-69, there has been an actual deficit in 1867-68 of 1 million of income as compared with ordinary expenditure, following a deficit of 2½ millions on the total expenditure the previous year, 1866-67;

that for the year 1868-69 there is a deficit by regular estimate of 1 million;

that for the coming year, 1869-70, after including barrack expenditure, there is estimated an equilibrium between income and ordinary expenditure sufficiently assured by a small surplus;

that a one per cent. income tax is proposed in substitution for the existing certificate tax;

that 3½ millions are proposed to be expended in 1869-70 on extraordinary reproductive works to be provided for by loan;

1869-70.]

that 3½ millions are proposed to be raised by loan;

that 1 million of public debt, half in England, half in India, falling due for repayment in 1869-70, must be renewed;

that ½ million is to be raised by short term debentures to supplement the cash balances;

that the total of loan proposed for the service of the year 1869-70 amounts to 5 millions. 5

The Government of India has aimed at a financial policy to be at once safe, just, and sound. Safe, as strictly bringing to account of ordinary expenditure, all items properly so chargeable. Just, as tending to apportion more and more equally the fiscal burden between rich and poor. Sound, as guiding all proposals according either to known custom in India or to established principle in England. 10

The facts and figures of British Indian finance, hard and stern as they may be, do yet bear witness to an agriculture furnishing staples for the use of distant countries; a commerce multiplying itself in every cycle of years; a revenue branching out in various forms of development; an ordinary expenditure held in control, and expanding mainly for useful or beneficent purposes; an extraordinary expenditure designed to bring State capital to bear on the material improvement of the country; a public credit strong enough to constitute a resource for every reasonable need. By their general effect they recall the sentiment of the historian, they excite thankfulness in all thoughtful minds, and "hope in the breasts of all patriots." 20

APPENDICES.

Statement of Estimated Cash Balances in the Indian Treasuries on the 31st March 1870.

RECEIPTS IN INDIA IN 1869-70.	Budget Estimate.	DISBURSEMENTS IN INDIA IN 1869-70.	Budget Estimate.
REVENUES	£ 49,340,840	EXPENDITURE IN INDIA	£ 43,157,540
DEBT—		DEBT—	
To be raised on Loan	3,000,000	Payments on account of Debt	13,712,792
Receipts on account of Debt	12,408,724	LONDON—	
LONDON—		Bills drawn by the Secretary of State for India	8,400,000
Recoveries in India of Payments in England, Funds, Family Remittances, &c.	1,199,760	Payments on account of Indian Railways	3,255,100
Madras Irrigation and Canal Company net Earnings	7,600	Ditto Madras Irrigation and Canal Company	5,500
Net Railway Earnings	2,604,700	Supplies to Her Majesty's Government	128,300
Estimated Cash Balances on 31st March 1869	11,917,473	Miscellaneous	192,555
TOTAL	80,479,097	Estimated Cash Balances on 31st March 1870	11,627,310
		TOTAL	80,479,097

FORT WILLIAM;

FINANCIAL DEPARTMENT,

The 6th March 1869.

EDWARD GAY,

Offg. Dy. Comptlr. Genl. of Accounts.

E. F. HARRISON,

Comptlr. Genl. of Accounts.

R. B. CHAPMAN,

Offg. Secy. to Govt. of India.

GENERAL BUDGET ESTIMATE OF INDIA
FOR THE YEAR 1869-70.
GENERAL ABSTRACT OF THE REVENUES AND RECEIPTS AND OF THE EXPENDITURE OF INDIA
FOR THE YEAR FROM 1ST-APRIL 1869 to 31st MARCH 1870.

RECEIPTS.					EXPENDITURE.				
	ACTUAL, 1867-68.	BUDGET ESTIMATE, 1868-69.	REGULAR ESTIMATE, 1868-69.	BUDGET ESTIMATE, 1869-70.		ACTUAL, 1867-68.	BUDGET ESTIMATE, 1868-69.	REGULAR ESTIMATE, 1868-69.	BUDGET ESTIMATE, 1869-70.
	£	£	£	£		£	£	£	£
I.—LAND REVENUE	19,986,610	20,406,000	20,225,200	20,595,500	1.—INTEREST ON FUNDS AND UNFUNDED DEBT	2,709,972	2,600,000	2,684,200	2,794,770
II.—TRIBUTES AND CONTRIBUTIONS FROM NATIVE STATES	850,286	687,000	693,800	693,200	INTEREST ON SPECIAL LOANS FOR PUBLIC WORKS	51,591	90,000	90,000	90,000
III.—FOREST	331,088	403,900	423,600	436,600	2.—INTEREST ON SERVICE FUNDS AND OTHER ACCOUNTS... ..	824,113	517,330	868,530	615,710
IV.—EXCISE ON SPIRITS AND DRUGS	2,238,931	2,311,000	2,310,000	2,289,000	3.—ALLOWANCES, REPUNDS, AND DRAWBACKS	1,961,590	238,940	602,740	259,570
V.—ASSESSED TAXES	653,818	570,000	520,000	900,000	4.—LAND REVENUE	2,264,416	27,050	270,230	254,850
VI.—CUSTOMS	2,578,632	2,441,000	2,713,600	2,773,500	5.—FOREST	303,494	28,900	272,800	253,050
VII.—SALT	5,728,993	6,016,900	5,613,100	5,826,800	6.—EXCISE ON SPIRITS AND DRUGS	33,914	27,000	30,050	30,000
VIII.—OPIMUM	8,923,568	8,385,800	8,988,400	8,296,540	7.—ASSESSED TAXES	207,186	186,150	183,880	132,640
IX.—STAMPS	2,186,269	2,372,800	2,340,200	2,396,000	8.—CUSTOMS	82,550	41,650	389,170	395,270
X.—MINT	120,252	251,200	103,300	136,800	9.—OPIMUM	1,874,121	1,900,750	1,769,330	1,724,330
XI.—POST OFFICE	689,679	671,300	697,600	697,500	10.—STAMPS	92,550	10,100	99,320	96,410
XII.—TELEGRAPH	215,081	252,600	218,700	220,000	11.—MINT	99,368	100,800	95,050	86,450
XIII.—LAW AND JUSTICE	719,342	1,034,200	1,082,000	805,100	12.—POST OFFICE	491,690	532,480	617,200	706,120
XIV.—POLICE	231,972	274,300	288,600	301,400	13.—TELEGRAPH	356,217	44,500	484,310	447,000
XV.—MARINE	455,090	294,500	578,600	248,500	14.—ALLOWANCES TO DISTRICT AND VILLAGER OFFICERS	385,981	30,320	300,650	345,500
XVI.—EDUCATION	73,845	75,100	73,800	83,400	15.—ADMINISTRATION AND PUBLIC DEPARTMENTS	1,124,396	1,14,220	1,148,210	1,265,090
XVII.—INTEREST	211,975	226,500	231,700	261,800	16.—LAW AND JUSTICE	2,644,349	2,83,980	2,732,910	2,368,670
XVIII.—MISCELLANEOUS	1,127,551	768,200	750,800	968,700	17.—POLICE	2,431,125	2,50,450	2,436,290	2,374,230
ARMY—MISCELLANEOUS	742,712	692,400	829,400	730,000	18.—MARINE	926,829	80,000	851,620	873,350
PUBLIC WORKS—MISCELLANEOUS	557,840	496,000	660,700	641,800	19.—EDUCATION, SCIENCE, AND ART	783,510	90,190	865,160	912,200
					20.—ECCLDSIASTICAL	155,797	16,320	162,760	169,100
					21.—MIRACIAL SERVICES	382,216	36,570	375,710	419,080
					22.—NATIONAID AND PRINTING	223,729	38,840	229,770	227,790
					23.—POLITICAL AGENCIES AND OTHER FOREIGN SERVICES	241,891	23,050	236,730	235,560
					24.—ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS	1,873,672	1,94,090	1,912,770	1,856,190
					25.—MISCELLANEOUS	672,992	27,700	416,000	393,390
					26.—SUPERANNUATION, RETIRED, AND COMPASSIONATE ALLOWANCES... ..	911,256	63,530	827,130	711,600
					ARMY	12,903,467	12,90,472	12,84,220	12,850,000
					PUBLIC WORKS ORDINARY—	5,430,457	3,45,840	5,640,000	5,677,000
					SUPERVISION AND COST OF LAND FOR RAILWAYS	156,325	23,390	301,640	199,450
					LOSS BY EXCHANGE ON RAILWAY TRANSACTIONS	101,877	12,570	23,700	14,600
					OWN PER CENT. INCOME TAX GRANT	111,410	...	...	...
					NET EXPENDITURE IN ENGLAND, INCLUDING STORES	41,044,485	39,92,060	41,307,550	40,903,740
					GUARANTEED INTEREST ON RAILWAY CAPITAL, LESS NET TRAFFIC RECEIPTS	6,852,419	6,39,240	7,191,691	6,966,750
						1,540,435	1,20,290	1,877,030	1,527,700
					TOTAL	49,437,339	46,52,120	50,269,171	49,288,190
					PUBLIC WORKS EXTRAORDINARY—	...	...	...	...
					MILITARY	1,368,880	Includ- ed under Public Works Ord i. nary.	...	...
					COMMUNICATIONS	432,210	...	...	...
					EMBANKMENTS	27,030	...	...	...
					IRRIGATION WORKS { In India	219,256	80,000	552,500	1,657,000
					SPECIAL FUND WORKS { In England	382,613	47,000	14,000	1,055,000
					STATE RAILWAYS ... { In India	893	...	420,000	600,000
						...	...	213,300	103,800
						...	...	330,073	257,000
					TOTAL	602,462	3,09,200	1,830,773	3,665,900
DEFICIT, INCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES	1,610,157	1,026,450	2,801,244	3,613,150	TOTAL EXPENDITURE	50,039,801	49,61,350	52,089,944	62,853,090
GRAND TOTAL	50,039,801	49,618,380	52,089,944	52,853,000	SURPLUS, INCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES	...	...	...	...
DEFICIT NOT INCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES	1,007,895	...	970,471	...	GRAND TOTAL	50,039,801	49,61,350	52,089,944	62,853,090
					SURPLUS, EXCLUDING PUBLIC WORKS EXTRAORDINARY CHARGES	...	2,06,540	...	52,669

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 6th March 1869.

EDWARD GAY,
Offg. Depy. Compt. General of Accounts.

E. F. HARRISON,
Comptroller General of Accounts.

* Total including transfers from P. W. Extraordinary £46,113,350.
R. M. CHAPMAN,
Offg. Secretary to Govt. of India.

Budget Estimate of Expenditure in England and in India for 1869-70.

	EXPENDITURE		TOTAL.
	In India.	In England (Net).	
	£	£	£
Interest on Debt	2,794,770	1,504,250	4,299,020
Civil Departments	18,984,530	1,570,442	20,554,972
Military	12,850,000	3,202,061	16,052,061
Marine	473,390	409,837	883,227
Public Works—Ordinary	5,851,050	170,160	6,021,210
	40,903,740	6,856,750	47,760,490
TOTAL	.....	1,527,700	1,527,700
Guaranteed Interest on Railway Capital less Net Traffic Receipts	.....		
Public Works Extraordinary	40,903,740	8,384,450	49,288,190
	2,253,800	1,312,000	3,565,800
GRAND TOTAL	43,157,540	9,696,450	52,853,990

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 6th March 1869.

EDWARD GAY, E. F. HARRISON, R. B. CHAPMAN,
Offg. Dy. Comptlr. Genl. of Accts. Comptlr. Genl. of Accts. Offg. Secy. to the Govt. of India.

FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

APRIL 2nd 1870.

I HAVE now to present the Budget for British India for the official year 1870-71, this being the eleventh annual statement presented to the Legislative Council. During my absence from India for six months of the year 1869-70, the finances were administered by my hon'ble colleague Mr. John Strachey, and some of the measures which I shall hereafter 5 have to mention were commenced or carried on by him. The ability and carefulness with which he conducted the administration are too well known to your Lordship and to the Council to require any further commendation from me.

On this, as on former occasions, my statement will be divided into 10 three parts, namely, the actual account for the past year 1868-69; the regular estimate for the year just closed 1869-70: and the budget estimate for the current year 1870-71, now commencing.

Before advertng to the three divisions in the order above named, I must explain certain improvements now made for the first time in the 15 mode of exhibiting the figures.

In the first place I am about to show the account of the working of the State railway, and the account of the Government with the several guaranteed Railway companies, in the same manner as all other parts of the public accounts, that is to say, the real receipts will be shown on the 20 receipt side, and the full payments on the expenditure side. Hitherto, as the Council will remember, the plan followed has been a different one. For instead of showing the receipts on one side and the payments on the other, that is, treating the account in the gross, we have shown nothing at all on the receipt side, and only the nett payment (after deduction of 25 receipts) on the other side. This has been the meaning of the item which has hitherto appeared in our financial statements, under the designation of guaranteed railway interest, less nett traffic receipts. In my exposition of last year, I furnished a summary of the main facts from which that important item was derived, namely, the gross amount of 30 [1870-71.

interest payable by the State to the shareholders of the guaranteed companies, then the amount recovered by the State from the traffic receipts, and so on. Whether the Council was able to follow me through that explanation, I cannot say. But I felt at the time that it was hardly a satisfactory circumstance that so much had to be said to elucidate an item which ought not to need such elucidation at all, and which ought to be in its nature apparent from the face of the statement. Subsequently this consideration further forced itself upon me. The figures of all other departments are exhibited not in the nett but in the gross. No other heavy payment is shown in diminished proportions by reason of a set-off. If this were to be done generally, then the financial statements would lose half their clearness, and the publicity half its value; and the real nature of the income and expenditure would not be intelligible. Why then should an exception be made in the case of the railway expenditure, which has been for years a large and growing item in the charge side of our financial accounts? There is no good reason whatever for this. On the contrary the public has a clear interest in seeing this part shown in the same way as all other parts of the account. For the payments by Government of interest now approach the sum of $4\frac{1}{2}$ millions sterling annually. How is the rapid accretion of this interest to be appreciated, if it is not shown in the annual statements? On the other hand, the set-off against this is the amount of nett traffic receipts, that is, the gross traffic receipts, less working expenses. This also is happily growing fast, and now exceeds $2\frac{1}{2}$ millions sterling. But still it is, and will probably for some time remain, inadequate; in other words it is and will be less than the interest payments. But we hope that this may gradually approach nearer to the balance of the account, and it concerns every one to know how far this desirable approximation is or is not being attained. This depends on the development of railway traffic and the economy of working expenses. Indeed the working expenses now amount to nearly four millions sterling per annum, and constitute virtually a branch of public expenditure in which the public is as nearly concerned as in any other branch. These points are not only fraught with general interest, but also affect the ultimate financial result and the determination of surplus or deficit. I therefore propose to show the two great items each on its proper side of the account. This course too strictly accords with the terms of the contract between the State and the Companies. After providing for the regular payment by Government to the Companies of the five per cent. interest on the capital paid up, the contract goes on to say that "all monies received by or on account of the Railway Company in India * * * shall be paid into the Treasury" of Government; that the "nett receipts after deducting all sums * * * for the current expenses of working the railway" * * * "shall be applied in the first place towards the discharge of the interest payable" by the Government.

In the second place, as the Council will recollect, the practice has been to exhibit the expenditure in India in detail under the main heads or branches, and then to show the expenditure on account of India in England in the lump or aggregate. Nevertheless the expenditure in England was for the most part not divisible under any new or separate heads, but really pertained to the several branches of the administration 1870-71.]

in India. Still it was not divided nor classified in our financial statements. Its amount is very considerable, being almost 12 millions, or more than 22 per cent. of our total expenditure. Though of course classified for official purposes, it has heretofore remained absolutely unclassified in our financial statements. One consequence has been this, 5 that the expenditure shown separately in our regular financial statements has never represented the full and complete cost of many of our greatest departments, such as Army, Marine, Public Works, Interest, and others. That the arrangement is so far improvable seems to be beyond question. Last year I did present a supplementary statement calculated to meet the 10 want. But this year I have prepared the statement with a combination of the figures derived from India and from England, so that they now display the full cost of each branch, whencesoever derived and wheresoever incurred. The formal and principal statement being thus comprehensively prepared, supplementary statements are added, showing how 15 much is spent for each head in India and how much in England.

In the third place the water rent paid by the land-holders for the water obtained from the State canals, has been transferred from the heading of public works income to the heading of land revenue. The amount is important, being more than £500,000, or half a million. The public 20 works income properly includes only sale proceeds of old stores and other items technically called recoveries, with which canal water rent has of course nothing to do; whereas this water rent is income derived by the State from its measures for improving the land by means of irrigation.

In the fourth place, the item of "allowances to village officers" has 25 been combined with the expenditure relating to land revenue; and is no longer shown in a separate heading; and for it has been substituted a heading "Minor Departments," under which will be shown the charges of the trigonometrical, topographical, and geological surveys, and other Departments not readily assignable to any other existing head. 30

In the fifth place, from the heading of "Education, Science and Art," we have eliminated, as just explained, the cost of the Survey Department. The surveys, though scientifically conducted, are executed in but a small degree for purposes of science and almost entirely for fiscal, engineering, and other practical purposes. On the other hand, it is of 35 consequence to all those who are interested in the moral and intellectual progress of India that the true charge for education should be shown on the face of the statement. Heretofore the precise progress of this important item has not been perceptible from the statement; and never could be so, while other and foreign charges were mixed up with it. On this 40 occasion, then, the figures which I exhibit are those for education alone.

In the sixth place, the abstract which the Council will remember having seen on former occasions under the title of "statement of estimated cash balances," has been superseded by an improved cash statement, 45 exhibiting an abstract of the entire financial transactions of British India, and showing in a clearer form how for each year the total disbursements of all kinds are actually met, or, in other words, how the ways and means of each year are provided.

So much then for the improvements in the form of the Statements, 50 and I must ask the Council to remember that by reason of these improve-

ments, the figures I now give will not be comparable in detail with those I gave last year, though the ultimate result will be duly comparable.

After this preface (the length of which will be excused from regard to the importance of the topics), I proceed to the actual account of the 5 past year 1868-69.

The receipts were £51,657,658, or more than 51½ millions sterling. The ordinary expenditure amounted to £54,431,688, or near 54½ millions, causing a deficit of £2,774,030, or 2¼ millions of receipts as compared with ordinary expenditure.

10 In my last financial exposition I explained that there would be a deficit in that year of income as compared with ordinary expenditure. The deficit was then estimated at £970,471, or 1 million. That estimate was necessarily incomplete, being based on eight months' actuals and four months' estimate; the last four months too constituting the most important and critical part of the year. Still the difference between the 15 estimate and the result is very considerable; and I must as briefly as possible recapitulate the reasons.

These reasons have arisen in small part only from shortcomings of receipts on the whole. Exclusive of the railway earnings, the receipts in 20 India indeed were £49,077,007, actual, against £49,288,700 of the regular estimate, the difference less being £218,458, or ¼th of a million. I attribute this to the fact of the yield of the Malwa or Bombay opium having been over-estimated by us. The amount indeed taken was fair enough as compared with the actuals of the two preceding years; but 25 the last four months of the year proved abnormally unproductive, and these were the months which did not come within the regular estimate.

The difference, then, between the estimated and the actual deficit was caused mainly by excess of expenditure. In the first place an item of £505,922 is brought about by charging in the accounts the liabilities of 30 the Government in respect to the late Military and Medical funds, which existed chiefly for the benefit of the widows of deceased officers. The arrangements made on the transfer of the fund provided that assets should be gradually year by year appropriated by the Government, which was on the other hand to pay all the pensions and allowances. The 35 transfer occurred during 1867-68. It commenced in that year, and came into full operation during the year under consideration, 1868-69. At the outset these pensions disbursed in England by the Secretary of State were not charged in the English expenditure, but were held by the Secretary of State in a suspense account, that is, in the account current 40 between England and India, and were so held at the time when my last financial statement was made. But inasmuch as the Secretary of State has ruled that the pensions are to be included in the expenditure in England, and as they now constitute a real charge against the revenues, we have deemed it best to include them (subject to the sanction of the 45 Secretary of State) in the English expenditure once for all, and to finally adjust the account. The amount thus to be charged comes, as above stated, to £717,734, of which two-thirds relate to the year 1868-69, and the rest to the previous year 1867-68. Of this sum, £211,812 had already been provided for, being charged in the Madras accounts. The 50 remainder, or £505,922, has now been added, and the whole charged in the English accounts.

1870-71.]

Another cause was an excess of £492,004 on the expenditure on public works ordinary. This arose partly on works emergently undertaken in districts suffering from drought or famine. Owing to certain defects in the control of the Public Works Department, some portions of the grants for extraordinary works were made use of for the ordinary works, and the circumstance was not known to the Department when it rendered its estimate to me at the time of my last financial statement. The occurrence of this excess, and the fact of its not being known in time, undoubtedly indicated, as I have above stated, defects in financial control. Those defects have now been carefully searched out, and remedies are being applied, which will, we hope, prove effectual for prevention in future. Their efficacy will be tested by experience.

Then there was an excess of £186,346 in the Army expenditure, arising partly from the high prices of provisions in drought-stricken districts, and partly from field operations on the frontier. There was a nett excess expenditure again in the Civil departments, chiefly in Marine, Interest, and Miscellaneous, amounting in all to £350,541.

These several items, together with a few others with which I cannot detain the Council, account for the difference between the estimated deficit of one million and the actual deficit of $2\frac{3}{4}$ millions.

Besides the ordinary expenditure above alluded to, there was during the year an extraordinary expenditure of £1,370,613, or $1\frac{1}{2}$ millions devoted in nearly equal proportions to irrigation, to Bombay special fund works, and to the purchase of the State Railway in South-Eastern Bengal.

Thus, the past year 1868-69 ends with a deficit of $2\frac{3}{4}$ millions; and this circumstance suggests the following observation. The Council will remember that in my last financial statement, I put the deficits of the three years 1866-67, 1867-68, and 1868-69, at $4\frac{1}{2}$ millions. This was on the supposition that the deficit of 1868-69 would be one million, whereas it is now seen to be $2\frac{3}{4}$ millions. Thus the $4\frac{1}{2}$ comes up to $6\frac{1}{2}$ millions. I then showed that there had been an expenditure of $3\frac{1}{2}$ millions on new barracks, which had been undertaken partly in the belief that they would not be treated as ordinary works, and would be excluded from the ordinary account. From that point of view the new barracks would have mainly accounted for the deficits. But now this can no longer be said. The deficits being $6\frac{1}{2}$ millions, of which only $3\frac{1}{2}$ can be accounted for by the barracks, and are susceptible of special justification, it must be admitted that the remainder, $2\frac{3}{4}$ millions are due to excess of expenditure accepted as chargeable against current income, and represent deficit pure and simple without such special justification.

So much then, in brief for the actual account of the year that is passed, 1868-69. I now have to advert to the year just expired 1869-70, the figures for which are derived chiefly from actual accounts and partly from estimates.

For 1869-70, then, the receipts are taken at £52,942,482 or 53 millions, which amount exceeds by £699,542, or $\frac{2}{3}$ of a million, the sum of £52,242,940, or $52\frac{1}{4}$ millions estimated in my financial statement of March 1869. The Council will remember that these figures will not admit of simple comparison with that statement by reason of the inclusion of the nett railway traffic receipts and of the receipts in England.

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This increase of receipts has arisen notwithstanding failure of the customs and the opium to yield the amount estimated in the budget. The customs revenue was taken at £2,773,500; it is now expected to yield only £2,416,500, showing a difference less of £357,000, or about 5 $\frac{1}{8}$ of a million. The opium revenue was taken at £8,286,540; it is now expected to yield only £7,953,800, showing a difference less of £332,740, or $\frac{1}{3}$ of a million. This falling off of opium revenue has occurred entirely in Bengal, where the price per chest was estimated at Rs. 1,330 or £133, while only an average of Rs. 1,199 or £120 has been realized. In the 10 Madras and Bombay Presidencies, the rate of duty on salt has been raised from Rs. 1-8 per maund to Rs. 1-13 for the latter half of the year. Had it not been for this additional duty, the deficiency in the salt revenue would have been considerable. On the whole, it may be said that the salt estimate has been just maintained and no more. There have been 15 also other items of deficiencies, which, together with the above two main items, bring up the gross deficiency of regular estimate below budget estimate to £899,222, or nearly one million.

The Council will then ask how, despite of this deficiency, is a nett result of increase on the whole arrived at? Well, it is arrived at as 20 follows. There is an increase of £461,778, or nearly half a million in land revenue. This is caused partly by the adjustment in account of the accumulated proceeds of the sale of waste lands, the Government promissory notes in which these funds were invested having been cancelled, and debt to that extent having been reduced. Also in the Punjab and 25 notably in the Madras Presidency, the collections of the revenue have proved more favorable than was expected. There is an increase of £71,943 in tributes; this arises from the partial capitalization of the political contributions payable by His Highness the Maharaja Holkar. The increase of £151,600 under the head of assessed taxes is 30 entirely produced by the additional one per cent. income tax imposed for the latter half of the year, without which there would have been a deficiency. The yield of the additional duty is estimated at £350,000. There is taken an increase of £448,472 under the head of miscellaneous; this arises chiefly from adjustment of accounts consequent on the arrange- 35 ments regarding the Police superannuation fund and the transfer to Government of the Bombay Medical fund. The army receipts show an increase of £181,760. These main items, together with some lesser items, bring up the total increase to £1,598,764, or over 1 $\frac{1}{2}$ million. And thus, on the whole the receipts of the year are now taken at an increase over 40 the budget.

On the other hand, the ordinary expenditure in 1869-70 was estimated in the budget at £52,190,290, or nearly 52 $\frac{1}{2}$ millions; it is now expected to rise to £53,568,076, or upwards of 53 $\frac{1}{2}$ millions, showing a difference more of £1,377,786, or 1 $\frac{1}{8}$ million.

45 This excess has occurred notwithstanding that the expenditure on public works ordinary has been reduced to £5,040,395, instead of £5,834,160 provided in the budget, showing a reduction of £793,765, or $\frac{3}{4}$ of a million. There have been also various savings, such as £33,938 in the Post Office, £47,673 in the Electric Telegraph, £39,300 in Education, 50 which, together with other items, bring up the total decrease of charges to £1,107,131, or over one million.

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Here again the Council will ask, how comes it that, despite these reductions, the total charges and expenditure show an increase on the whole? The answer is that in several departments there have been increases over the budget estimate, some of which I must now explain.

In the two items of interest on public debt and on other accounts, 5 there are increases of £73,516 and £124,925. This has arisen from the proportion of unclaimed dividends having been less than was expected: from the charging to our accounts of certain interest payments on account of the expedition to Abyssinia, which amount we had hoped to recover from Her Majesty's Government: and from the raising in India of a loan 10 of two and a half millions for public works extraordinary. When the budget was framed, we believed it most probable that this public works loan would be raised in England, and during the latter half of the year, in which case instalments of interest would not fall within this year. Subsequently we received the Secretary of State's sanction to raise the 15 amount in India, and we preferred to bring the loan out at an early period: consequently the payment of interest has fallen within this year.

The increase on forests of £35,084 leads to more than corresponding increase of revenue. The same remark applies to the increase of £123,870 in the payments for opium. This arises from the yield of the opium 20 crop being better than was anticipated when my budget was framed, and consequently greater quantities of the drug being brought to the store-houses. Under the contracts with the cultivators, the quantity brought by them must be paid for. Such payments in a fiscal point of view are not indeed to be regretted, as they conduce on the other hand to enhance- 25 ment of revenue.

The Police charge was estimated at £2,374,290, and has now risen to £2,440,900, showing an increase of £66,610. This difference, which would have been larger but for counteracting economies, has been caused by the delay in carrying out the abolition of the Police Superannuation 30 Fund. The delay has arisen (notwithstanding this Council having passed the requisite law) from the difficulty of arranging the details with the several local Governments. The excess charge caused by the delay is neutralized by the consequent increase in the assets credited under Miscellaneous. 35

There is an increase of £381,882 in Marine. This partly arises from our having charged off finally as expenditure the sum of advances on account of the Mutlah or Port Canning port fund, which it is prudent to treat as irrecoverable; and from our proposing, after protracted enquiry, to remit a portion of a long outstanding debt due by the Calcutta Port Fund 40 to the Government. In this heading, too, is included a sum of £45,000 as a contribution by the Government of India towards the cost of the naval force which Her Majesty's Government is to maintain in the East Indian waters. This is a new charge, entered under instructions from the Secretary of State. It was hardly possible to provide for these in the 45 original estimate, as there was no information at that time as to whether these charges would accrue at all, or in what year they would fall.

The increase of £448,728 in miscellaneous is mainly due to difference between the actual and the estimate of the loss by exchange on Secretary of State's bills and to the charge for the freight of stores from England. 50 The charges of the Political department have increased by £152,290.

This increase arises from the payments and presents made to the Ameer of Cabul, which were inadvertently omitted from the estimate.

The increase of £303,972 in superannuation allowances arises from the adjusting of the accounts of the Military Fund already explained.
5 When the budget was framed, the amount of these pensions (£396,292) was entered by the Secretary of State in his remittance account, and not (except the Madras portion (£120,000), which was entered in the estimates in India) included in the charges. But we have deemed it necessary (subject to the sanction of the Secretary of State) to take the remainder,
10 £276,792, out of the English remittance account, and to charge the whole in the regular expenditure in England.

There is an increase of £422,831 in the army charges, of which £292,831 accrued in England for stores, furlough allowances, and pensions, and the rest in India, from the high prices of food and a variety of
15 lesser causes which it would be tedious to detail.

These items, together with some others, for which I need not stop, bring up the total increase to £2,484,917, or 2½ millions.

I have now stated the causes of all the variations in estimate on both sides of the account. That the amount of these variations should
20 be so large is matter for regret. One main cause is traceable to the difficulty of adjusting the accounts under a necessarily complex system dealing with a great variety of interests. And if it be difficult to adjust these accounts with certainty, how much more difficult is it to estimate beforehand what form the adjustment will ultimately take, and what
25 its precise result will be. This year special efforts have been made to clear off all old accounts and to have the books as unencumbered as possible for future years. The subject has my unteasing attention.

The items of expenditure as above specified are taken from the combined figures, Indian and English. It may be interesting, however, to
30 the Council to note exactly what has been the increase on the English figures taken separately under the old heading of "nett expenditure in England including stores." The amount then for this total set down in the budget, as taken from the Secretary of State's estimate, stood at £10,996,950, it is now expected to stand at £11,868,869, showing an
35 increase of £872,119. This has arisen partly as already explained from the Military Fund payments (£396,292) not having been included in the estimates of charge, partly from the cost of stores for the different departments in India, and partly from the increased allowances payable under the new rules to Civil and Military Officers.

40 This particular part of the expenditure is, as the Council knows, under the control of the Secretary of State, and so far no remark is required from me. I should say however that as regards the "stores," the Secretary of State only acts on behalf of the Government of India, like an agent, if the expression may be allowed. The stores are ordered
45 by the India Office in London on indents received from the Government of India; and the Secretary of State's estimate is framed in reference to those indents. It sometimes happens that emergent indents are sent home from India within the year, and these must, *pro tanto*, disturb the estimate, and for that much of disturbance the Government of India
50 is solely answerable. Such has been the case this year in reference to a portion of the stores. I must add that heretofore the financial control

in India over the indents sent hence for stores from England has been defective, and measures are being adopted to render it more efficient in future.

Thus much on the details of the receipts and expenditure. In the budget it was estimated that there would be an equilibrium with a small surplus of £52,04/0. But the receipts being now expected to stand at £52,942,482, or nearly 53 millions, and the expenditure at £53,568,076, or more than 53½ millions, there is anticipated a deficit of £625,594, or more than ½ a million of receipts below ordinary expenditure.

Besides the above ordinary expenditure, there has been an expenditure extraordinary of £2,616,743, or upwards of 2½ millions, on reproductive public works during the year, such as irrigation, State railways, and on Bombay special fund works.

Instead of an estimated equilibrium, then, the year has ended with a deficit of a considerable amount. In some respects, the adjustment of accounts has improved the figures on the receipt side; while in some respects it has made the figures worse on the expenditure side. If there are windfalls on the one side, there are unexpected drawbacks on the other. Also some share in the responsibility rests with the home authorities. But after allowing for all these considerations, I must fully acknowledge a deficit, for which we are clearly responsible, and regarding which I desire to offer the following observations.

As already seen, we suffered a heavy disappointment in respect to our estimate of the opium revenue on the Bengal side. This arose from a fall in the market price, which fall again is believed to have been caused mainly by the extension of opium cultivation in China itself. We were indeed aware that such cultivation was being in some degree extended, but there was no information at that time to lead to the apprehension that this extension would spread so much as it now appears to be spreading. The further information since obtained of the extension was not then available. For two years and more previous to the framing of the estimate, the prices had ranged at very high rates which indeed were well sustained up to the eve of the budget being produced. There was no known fact to warrant the rate being taken lower than what was then actually ruling. Still on general and prudential considerations, we took the price at an average of the realizations of the past three years, which brought out a rate less by Rs. 50 or £5 a chest less than what we were then receiving. This estimate has indeed partially failed by reason of events in the interior of a remote, half-civilized, and comparatively unknown country like China, the nature of which circumstances is even now but vaguely ascertainable by us.

Then the Customs duties have fallen not only below the budget estimate, but also below the actual realizations of the two preceding years. There has been, as the Council knows, a depression of trade not only in India but in many other countries; and this has mainly caused the falling off in our Customs. But when the budget was produced, there was not a single fact to indicate that such a depression was about to set in. Up to that date the Customs revenue had been increasing yearly for several years; that very year they both increased as was proved by the latest statistics and fiscal returns. The authoritative commercial reports up to date, though noticing fluctuations, and not in all respects sanguine, were

yet on the whole favorable and hopeful. There had indeed been drought in some parts of India, but that had not up to date affected trade or Customs, and the prospects of the season had recently improved. There had also been some modifications in the valuations of the tariff in favor of the merchants, but this was allowed for in the estimate.

From the several financial statements made in this Chamber, the Council knows how constant has been the increase in the State income of India. However, not even that normal increase was estimated for. The revenue was estimated at just the sum which had been received in the preceding year and no more. A slight increase only was taken on account of additional taxation. Does not this look *prima facie* as if the estimate was moderate?

These causes (which were, as I contend, misfortunes hardly to be foreseen), together with lesser circumstances with which I need not now trouble the Council, threatened the Government of India with the prospect of a serious deficit. How has this prospect been met? Why, by increasing resources, that is by additional income tax, and additional salt duty on the one hand, and by reducing public works ordinary expenditure on the other. Moreover there have been numerous savings and retrenchments carried out in all the provinces of India (for which the general finance is much indebted to the cordial exertions of the several local Governments), which it would be tedious to specify, but of which the total effect is estimated at £200,000. The condition of the year's finance has been bettered by the above measures to the extent of £530,000 on the receipt side and £993,765 on the expenditure side, the total improvement being represented by £1,523,765, or 1½ million.

When introducing into this Council in November last the Bills for extra taxation, I stated that "every effort would be made to destroy the remaining deficit, to run it hard, to break its back so to speak." This promise related of course to receipts and expenditure in India. The figures show that it is in a fair way of being fulfilled.

These last figures, however, are not altogether actuals, but belong to the regular estimate. In India these regular estimates have sometimes been so far falsified by results as to have acquired an ominous significance. On previous occasions the practice has been to frame these regular estimates on eight months' actuals and four months' estimates. In some respects the actuals did not extend to eight months, but only to seven or even to six. This method left a large margin for uncertainty, for the four months of estimate were, as I have explained once to-day, about the four most important in the year, and the very ones when the financial transactions were the largest. The regular estimate which I now present, however, ought to be of a better kind, for it is based on eleven months' actuals for nearly all the receipts and for all civil expenditure in India, and ten months for army, marine, and public works; leaving only one month, or in some cases two months for estimate, which estimate is based again on the actuals of the last months of former years. But even for the last month we have obtained actual data for some important branches on the receipt side especially.

Another cause of the uncertainty in the regular estimates has been the adjustment of many items in the twelfth month. And this cause may perhaps to some extent operate to throw out parts even of the

regular estimate I now present. We have striven to ensure these adjustments being made more and more regularly month by month; so that the pressure may cease to be thrown on the close of the year.

Still after allowance shall have been made for all that can fairly be said in defence of our estimates and accounts,—the recurrence of deficits in time of peace, and the discrepancies between estimates and results which have so frequently happened, do compel us to search for and remedy whatever defects there may be in our system. Despite the many improvements that have been effected, the result proves that some defects must still remain. Two main defects I have above indicated—10 one of which was vital certainly. They have been, as we hope for the most part, remedied. We shall strive to make the remedy more and more complete after each year's experience.

Over and above these, however, there doubtless are lesser defects. Addressing this Council in November last, I said “we must examine 15 more thoroughly than heretofore the monthly statements of actual receipts * * * we have such an examination now; but we must have it more strictly in future; we must check our financial conclusions more immediately by actuals up to the latest day; we must base our estimates more strictly on the actual results up to date, and less on general 20 conclusions.”

I need hardly add that we are acting and shall act more and more closely on these views.

Having thus dealt with the years 1868-69 and 1869-70, I arrive at the third and most important part of my exposition, namely, the budget 25 estimate for 1870-71.

The receipts are taken at £52,327,755, or 52½ millions, to be compared with the £52,942,482, or 53 millions estimate for the year just closing 1869-70.

The land revenue estimate is an aggregate of the estimates received 30 from the local Governments, which have not been materially departed from in any case. There is a decrease of £513,646 as compared with the previous year, of which the return was swollen by the inclusion of the waste land receipts and the collection of some arrears. The effects of the drought of 1868-69 have been felt throughout 1869-70. The stocks 35 of grain in some parts of the country are believed to have become exhausted. The rains of last season, though somewhat delayed, were ultimately abundant. In many provinces the harvests have been good. In some districts, however, there are still fears. On the whole, the advent of the ensuing rains must be looked for with some anxiety. 40

The decrease of £28,070 under tributes arises from the capitalization of the Holkar tributes in 1869-70 already alluded to.

The forest revenue shows a continued increase, more than balanced, however, by increased cost on the expenditure side.

Under excise we venture to expect a small increase of £39,300. 45

The item of assessed taxes I shall reserve for further mention hereafter.

For the Customs we have only taken £2,416,500, being the same amount as that which we have received in the year just expired, during which so much commercial depression has prevailed. That the present 50 yield should not be greater than it is, must be regarded as an unfavorable

indication respecting the condition of the people of India. In some places the inhabitants are impoverished by the late drought, or are still apprehensive about their crops; and are unwilling to buy European cloths or other things comparatively luxuries, until they are sure of their food; all which circumstances cause the up-country markets to continue slack. Still in most parts of India the people are advancing in prosperity as much as ever; and regard being had to this consideration, a revival of trade might be hoped for. Again, there have been fluctuations in the trade: January, a very important month, turned out badly; but February was better. March, the month just over, has been a little more favorable. On the other hand, the reports issued by the Calcutta Chamber of Commerce have been and still are unfavorable, and the opening of the Suez Canal has caused some forestalment of imports, and consequently of duty. I trust that things will not become worse than they are, and that we shall receive at least as much in the year 1870-71 as we have received in 1869-70, but I know no fact which would justify me in raising the estimate.

We have carefully considered the expediency of reducing or remitting the export duty on rice exported from India and from Burma. This branch of trade was for some months much depressed, but has of late shown signs of improvement. The depression, however, arose, as we believe, from other causes besides the duties. The prices of produce are rising rather than falling. The demands in China and Japan seem likely to become more brisk; indeed, scarcity is understood to prevail in some parts of Japan. Though fully sensible of the objections which can be urged against these duties, yet looking to the circumstances of the case and to the financial exigencies of the time, we have decided not to propose any change in the duties at present.

We propose to remit the export duty on shawls and on a few insignificant articles; and on the other hand to include some others in the tariff, and to levy the duty on galvanized iron *ad valorem*. These modifications are not expected to cause any loss of revenue. The shawl duties have operated as virtually transit dues on the shawls from Cashmere, and as regards the British Indian shawls, it is well that they should not be weighted in their competition with the shawls of other countries.

In my last statement I alluded to the progressive increase in the foreign trade of British India, and I stated that the sum total of value had risen from 95 millions in 1866-67 to 101 millions in 1867-68. Since then the ascertained trade of 1868-69 has amounted to 106 millions in value. But after some years of satisfactory progression, the year 1869-70 is almost certain to prove one of retrogression. We now possess the complete returns for nine months of that year, and they show a decrease of 8 per cent. in value and 5 per cent. in quantity as compared with the corresponding period of the preceding year. That the comparison as regards value should be less favorable than that as regards quantity is accounted for by the fact that there has been a reduction of the valuations by tariff. Still there is a falling off of 5 per cent. on the whole; and this is specially perceptible in some important staples of import, such as piece goods and metals, and of exports, such as cotton, rice and indigo. One important item of export, namely jute (fibres) has kept its place as well as ever. The cotton export of 1868-69 amounted to 700,000,000 1870-71.]

lbs., or $1\frac{3}{4}$ millions of bales; but the quantity for 1869-70 will prove considerably less. In 1868-69 there were $11\frac{1}{2}$ millions of lbs. of tea exported; the quantity for 1869-70 seems likely to prove as great. In 1868-69 there were 48 millions of lbs. of coffee exported; the quantity for 1869-70 will certainly prove less. The causes of the depression of trade must doubtless be sought for in other countries besides India. But they have been aggravated by the drought and distress which have prevailed in some parts of India itself.

The salt revenue has been taken at £6,177,370, an amount considerably over that of the previous year, chiefly because the increased duty in 10 Madras and Bombay (5 annas per maund) is to operate for the whole of 1870-71, whereas it operated for only half of 1869-70.

For the opium revenue we have taken £6,922,281, of which £4,905,281 pertain to Bengal and £2,017,000 to Bombay. The Bengal estimate has been taken at Rs. 975 or £97-10 per chest on 49,000 chests. 15 For the first three quarters of the year, the provision is, with the exception of a small deficiency of 1,104 chests actually in store. For the last quarter, from the information given by the local Government, we trust that the number of chests is tolerably certain. To provide it we ought to sell 52,000 chests in 1871, a supply which we hope to be in a position to bring forward, but 20 which is certainly not likely to be much exceeded. The real doubt is as to the price per chest, the calculation of which solely depends on forecast. The price, as the Council know, averaged Rs. 1,379, or £137-18 per chest in 1868-69. In 1869-70 it has averaged Rs. 1,199 or £119-18. It has fallen with an unfortunate regularity from Rs. 1,324 or £132-8, at the beginning of the 25 year, to Rs. 1,093 or £109-6 at the close. So far as we can judge from China advices and from local prices, the tendency is downwards. The Government of India possesses now a mass of information, which, though not always clear, does in the main show that the cultivation of the drug is increasing, and is likely to increase further in China itself. So 30 far as opinion goes, nearly all authorities believe that the opium trade of India with China will be subjected to a degree of competition not heretofore experienced. Taking all these things together, I anticipate the possibility of a further fall in prices, and have considered the rates to which prices have fallen within recent experience. They have gone as 35 low as Rs. 900 and 850 a chest. Though hoping that they will not again fall so low, yet I consider that no estimate of a higher average than Rs. 975 or £97-10 a chest would be safe; and a reasonably safe estimate we must have. So also with the Malwa opium, having regard to the manifold fluctuations of the Bombay market from year to year, even from 40 month to month; and to the probability of its sympathizing with any fall on the Bengal side, I do not consider that any estimate much over 2 millions would be safe. We are indeed receiving $2\frac{1}{2}$ millions (£2,357,000) for the year just closed, which quite fulfils the estimate. But then we only received £1,800,000 in the preceding year, when circumstances were 45 more favorable than this. The estimate of the current year, though realized at last, has been a constant source of anxiety. The present crop is reported to have been seriously injured by unfavorable weather. Judging by all known circumstances, I should fear that a falling off may shortly be looked for. So recently as November last, we were confidently 50 assured by the authorities at Indore that we should not realize even two millions in the year just closed.

On the whole, it will be seen that our opium estimate stands at £6,922,281, or $6\frac{3}{4}$ millions, being less by £1,031,159, or one million, than the receipts of the previous year; while our expenditure is expected to rise by £164,910, making a total deterioration under this head 5 of £1,196,069.

It will be observed that a decrease of £1,604,603, or $1\frac{1}{2}$ millions under stamps, is balanced by an increase of £1,692,700 under law and justice. This represents the transfer of the receipts of judicial stamps (now levied under the new Court Fees Act) from the one head to the 10 other.

The large decrease of £677,298, or $\frac{2}{3}$ million under the head of miscellaneous, arises from the fact of there having been extraordinary receipts, commonly known as "wind-falls," in 1869-70 which are not expected to recur.

15 The railway receipts nett are taken at £3,125,258 at an increase of £211,084 over the year just passed, that is, £6,795,058 gross earnings less £3,669,800 working expenses, the traffic being represented by seven millions of tons and fifteen millions passenger journeys; and all this on 4,840 miles of open line. These are high figures: if realized, they will indicate a satis- 20 factory progress of railway traffic; they are rendered by the Public Works Department. Seeing that some 600 miles of new line are to be opened in the year, increase of traffic may be looked for; but then there will be increase of working expenses. On the whole, this item must be regarded as necessarily uncertain, as being dependent on traffic the growth of which 25 we cannot exactly foresee.

I now turn to the expenditure side, and shall notice together, firstly the items of the increase, and secondly the items of decrease.

There is an increase of £270,032 in interest. This increase is due to our having to pay a full year's interest on the loans of 1869-70, on which 30 only half a year's interest fell to be paid in that year; to a large amount of interest properly pertaining to 1869-70 being thrown forward to 1870-71, owing to the late arrival of the last English mail, and to a new loan to be raised this year, the particulars of which I shall explain presently.

There is an increase of £117,606 for forests, which is almost met by 35 the corresponding increase of revenue. Also there is, as already stated, an increase of £164,910 in opium, owing to extension of cultivation, and of £27,944 in excise for the purchase of opium for home consumption: these items also tend directly to increase of revenue. Similar remarks apply to the increase of £103,299 in salt, attributable chiefly to the ar- 40 rangements for the manufacture of alimentary salt at the Sambhur lake in Rajpootana and in various parts of the North-West Provinces and of Oude, all which measures are connected with fiscal improvement.

The increase of £178,698 in law and justice is due chiefly to the transfer of discount from stamps, the revenue from which is now to be 45 credited as law and justice receipts, and to the charges for the service of processes, which with the corresponding receipts are now entered in the imperial accounts.

The increase of £66,498 in education will not be regretted.

The increase £126,681, in superannuation allowances is due to the 50 reductions in the police (which involve gratuity payments) and to the anticipated operation of the rule for the compulsory retirement of public servants at the age of 55 years.

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There are small increases under several civil departments, such as land revenue, ecclesiastical, medical services. These are inevitable, as they are brought about by the progressive scale of salaries so frequently allowed of late. In recent years it has been thought more economical to sanction gradual progress towards a maximum than to allow the maximum at once. 5 Of course, this practice, however good in itself, does at first cause the expenditure to rise slightly from one year to another. The increase in law and justice arises partly from a transfer of charge from the head of stamps, which department shows a corresponding decrease.

An increase will be observed of £56,181 for the Electric Telegraph 10 department, not counterbalanced by any increase of receipts from this source. This arises chiefly from stores not having been sent out from England during the current year, so that an extra supply must be paid for in 1870-71.

The increase of £275,268 in railway charges relates chiefly to inter- 15 est, and is due to more capital being raised in England for the prosecution of the works.

The increases of all kinds amount to £1,496,219 or 1½ million, apparently a large sum. But the above analysis shows that £678,964, the aggregate of the increase under forests, excise, assessed taxes, salt, opium, 20 and railways, is absolutely necessary to be laid out in order to bring in a more than corresponding return of revenue. Again, £452,894, the aggregate of the increase under interest, telegraph, and superannuation allowances, is inevitable, and under existing rules is not preventible by any action we could take. Thus the sum of £1,131,858, or nearly 25 three-fourths of the total increase, is demonstrably indispensable. To this category the increase for education forms, of course, a special exception.

On the other hand, among the decreases of expenditure, there is the item of £129,633 under interest on service and other accounts; this arises from cessation of payments on the Police Superannuation and Medical 30 funds and to the Presidency Banks for temporary advances.

There is a decrease of £120,936 in the Police department, of which, however, a part is owing to the reduction of pay from gross to nett upon the abolition of the Superannuation fund, the rest being due to reduction of establishments. The decrease of £481,009 in the Marine department 35 is mainly owing to the large adjustment in 1869-70 of irrecoverable advances. Here also is included a sum of £70,000 as the contribution of the Government of India towards the maintenance of naval squadron to be kept up by the Admiralty in the Indian seas as already explained.

In the army charges, there is an important reduction of £731,551, 40 or ¾ million: the total being lowered from £16,476,892 to £15,745,341; this is partly nominal, the expenditure in England in 1869-70 having been, in some respects, abnormal. But about two-thirds are real, brought about chiefly by the reductions in the general staff in India, and in the European cavalry and infantry, as sanctioned by Her Majesty's Govern- 45 ment after some correspondence with the Government of India. We have been only able to take a very small decrease on account of the reductions in the artillery and the native army, regarding which the recommendations of the Government of India are under the consideration of Her Majesty's Government in England. After setting off the dimi- 50 nished recoveries which we expect, the net estimated saving in the army

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is £554,016, or $\frac{1}{2}$ a million, the net expenditure for the army being estimated at £15,009,116, or just 15 millions, a lower sum than has been paid in any year since 1863-64.

The grant for public works ordinary exhibits a reduction of 5 £1,041,995, or more than a million; the amount for 1870-71 being £3,998,400 against £5,040,395 in 1869-70 and £5,834,160 in 1868-69. Thus in the course of a year, we have lowered our grant by £1,835,760 or more than $1\frac{3}{4}$ millions, or $31\frac{1}{2}$ per cent. on a total of about six millions. The necessity for such reduction, which must of course retard the completion of many useful works, is much to be regretted. But financial 10 exigency is imperative.

I should add that out of the above grant of four millions, £658,955, or more than $\frac{1}{2}$ million represents the expenditure on the new barracks for the European troops.

15 The total of these decreases amounts to £2,883,669, or nearly 3 millions. This for the most represents real reductions of establishment or of works; and by it may be measured, to some extent, the efforts made by the Government of India to meet the financial exigency of the time.

The Council—remembering that retrenchments made on paper have 20 sometimes failed to be carried out, and that reductions in estimate are sometimes found to be not realized in actual accounts—may ask me how I can affirm that the above large amount of reduction will really be effected? To this I should answer that the largest part of the reduction; that relating to public works, is so far certain in that the disbursements depend 25 solely upon the grants. No more than what has been granted will be disbursed, and the orders in detail regarding the grants have been sent already to the several Local Governments. So with the army reductions; those which I have allowed for have actually been sanctioned by the Secretary of State, and the orders have gone to the proper authorities: 30 some have even been carried out,—for instance two cavalry regiments have actually embarked for England. Some further reductions are almost certain, but we have ventured to allow for them only the sum of £70,000. So with the interest reduction, the charges in question have actually ceased. Again, as regards the police reduction, a part of it is quite certain, 35 nothing more being needed than orders to the audit department; and to the rest of that reduction the Local Governments have actually signified their agreement.

The increases being balanced against decreases, the result is an expenditure of £52,164,315, or $52\frac{1}{4}$ millions, against £53,568,076, or 40 more than $53\frac{1}{2}$ millions of the preceding year, with a net reduction of £1,403,761, or nearly $1\frac{1}{2}$ million of expenditure.

In framing the estimate I have not forgotten that there are certain pecuniary claims on the part of His Highness the Nawab Nazim of Bengal, still pending. I cannot at all foresee whether they will be found 45 sustainable. We have decided that we are not justified in making any budget provision in this year on this account.

After this analysis of the receipts and expenditure of the current year now commencing, I must ask the Council to revert to the heading of assessed taxes which I reserved for separate consideration. We have 50 taken for this the sum of £2,180,000 or nearly $2\frac{1}{2}$ millions sterling. The additional rate of one per cent. levied by Act XXIII of 1869, in 1870-71.]

order to bring the one per cent. rate up to 2 per cent., expired on the 31st of March. As the law stands then at this moment, the one per cent. is all that is leviable. According to the experience of the year just over, 1869-70, the yield of one per cent. would amount to £700,000. Now, if we were to take that amount only instead of the £2,180,000 now taken, there would be a difference less of receipts to the extent of £1,480,000, or 1½ million, and this difference would cause a deficit on income below ordinary expenditure of £1,316,560, or 1½ million. As the Council so well knows, we could not at this time appear before the public with a deficit in our budget. At least we could not adopt such an alternative, while any legitimate or reasonable resource remained to us.

My exposition of the estimate of the receipts will have proved to the Council that the revenues generally are flourishing, though not quite so prosperous as they sometimes are. But in one important item, opium, there is a serious falling off, mainly owing to events and circumstances in China.

I have shown to-day what large reductions of expenditure have been effected, always with hard effort, and sometimes with much sacrifice. Then I have shown how inevitable are most of the increases of expenditure. Still, after reckoning the sum of these as a set-off, the net result is a decrease on the whole of nearly 1½ million (£1,403,761) of expenditure. I by no means intend to imply that reduction has reached its final limits; we shall continue to strive for further reduction more and more. But it is impossible to say at what time or on what date additional reductions may take effect. Indeed the incessant demands made on the treasury for countless objects of reform and improvement are too well known to the Council to require recapitulation here. Meanwhile we must take the receipts and expenditure as they are expected to stand. And with a deficit of 1½ million distinctly apparent, some recourse to additional taxation, some resort to means of enhancing income, becomes altogether unavoidable. Considering the actual deficits which have occurred in past years, and the circumstance that the year just over is expected to close with a substantial deficit, instead of the equilibrium that was expected, and this too despite all the exertions that have been put forth, we regard it as essential to the due administration of the finances and to the maintaining of the financial credit of the country, that yet further exertions should be made. Moreover this is, if possible, even more needful than ever, since, as shown in my last financial statement, the public credit is to be pledged for the construction of extraordinary public works of a character remunerative to the State and beneficial to the people.

We are, therefore, compelled to propose, however reluctantly, to raise the income tax to 6 pies in the rupee or 3½ per cent., and to apply to this Council to vote us the power of thus covering, by additional taxation, the deficit which must otherwise be presented.

As explained in my last financial statement, there are great difficulties in immediately adding to our resources by any other means than direct taxation. If then the revenues are to be immediately enhanced, this can only be effected by the help of the income tax.

Such then is the proposal which I have, on behalf of the Government of India, to make to this Council, together with a request for leave to introduce a Bill for the imposition of an income tax, at the rate of six pies in the rupee.

I need not repeat the arguments used in my last financial statement regarding the imposition of an income tax in India. It is with regret and reluctance that we bend to the necessity of raising the rate from 1 to $3\frac{1}{2}$ per cent. within so brief a period. But the recurrence of deficit at this time cannot otherwise be prevented.

I have stated the rate at $3\frac{1}{2}$ per cent. In England, as the Council knows, there is no percentage rate adopted for this purpose; the duty being levied at so many pence in the pound sterling. We have determined to adopt, as in England, a poundage in place of a percentage rate. Following that principle, I have to propose that the duty be for the future taken at so many pies in the rupee: two pies would be assumed as the approximate equivalent of one per cent., four pies of two per cent., and so on. I should add that this mode of rating the duty will be somewhat (though very slightly) in favor of the revenue.

But if the rate is to be thus raised, then the principle of rough assessment by classes in the schedule which regulates the existing tax, can no longer be adhered to. A system which may have worked sufficiently well while the rate of duty was low (that is, one per cent.) will no longer work satisfactorily when the rate becomes higher. When people come to be assessed to 6 pies in the rupee income tax, they will assuredly demand a more precise mode of assessment than that which now prevails. The taxpayer will require that the assessment be made upon some fair estimate of his particular income, and will not be content to be assessed upon an average derived from the maximum and minimum incomes of a class. Now, if anything like an assessment on estimated income of each individual taxpayer is to be attempted, returns of income must be called for from the tax-payers. Or even if with the lower classes of income the Collector may be able to dispense with the returns, he must clearly have the power of calling for such returns in all cases of more considerable income, and with the higher classes of income he should be obliged to call for such returns. The new Bill, then, which I have to lay on the table provides for the assimilation of the procedure to the more regular methods of assessing income tax: care having been taken to render it as simple and easy as possible, consistently with the important object in view. If the Council shall grant me leave to introduce the Bill, I shall have further opportunity of explaining its provisions.

Having thus explained the principle of the tax, I must advert to the method by which the estimate of its probable yield has been framed. As the Council will have observed, the amount is taken at £2,180,000, of which £2,100,000 is assumed at the known rate of £700,000 for each one per cent., and £80,000 for the gain by the substitution of 6 pies in the rupee for three per cent. I say known rate, inasmuch as the regular estimate of the one and a half per cent. income tax of 1869-70, based on data of eleven months' actuals, gives £1,051,600, which again gives £700,000 for one per cent. This seems a sure foundation to proceed upon, especially as it is known that in 1869-70 the tax was exposed to disadvantages which will not recur. Some portions of the tax collected in the first month had to be credited to the preceding year; the extra one per cent. imposed in the middle of the year, could not be fully realized at first; some arrears are indeed known to be outstanding. This consideration justifies our expecting more than £700,000 for one per cent. and our 1870-71.]

assuming £700,000 for each one per cent.; though otherwise it might be apprehended that each ascending step in the percentage would yield somewhat less and less. The estimates of the local Governments embodying what they intend to demand and collect, framed for a $1\frac{1}{2}$ per cent. tax, amount in the aggregate to £1,103,740, which at three per cent. would yield £2,287,480, which is more than what we have ventured to take. Then we have compared the yield of the first income tax of 1860. The only year in which that tax was fully collected was 1861-62, when it produced £2,054,696, or just over two millions at four per cent. on incomes down to rupees 500 (£50) and at two per cent. on incomes between rupees 500 and rupees 200 (£20). What portion of this belonged to the division between rupees 500 and 200, I cannot state; but it must have been small. On the whole it may be said that we now expect to get from a three per cent. tax rather more than what we got from a four per cent. tax ten years ago, showing an expected improvement of 25 per cent. and more. This seems a reasonable expectation, when it is considered not only that the income of the country has greatly increased within the ten years, but also that our administration of these kinds of taxes has improved. As a proof of the improved administration, I may observe that in 1864-65 there was a three per cent. income tax like the one now proposed. It yielded £1,300,000, which gave £433,000 for each one per cent. But then the assessments made at the outset had been continued without alteration from year to year, and the administration was less strict than it now is; though it is still far from being as strict as it might be. But we have seen that in 1869-70 one per cent. yields £700,000 for one per cent., showing an improvement of 61·7 per cent. over 1864-65.

As to the duration of the new income tax, I can make no promise whatever. It is our earnest hope that the tax may not last beyond the current year 1870-71, at its present rate. But the realization of any such hope must be entirely dependent on circumstances.

Such then is the budget for 1870-71, the estimate of receipts amounting to £52,327,755 or $52\frac{1}{2}$ millions, and of ordinary expenditure to £52,164,315 or $52\frac{1}{2}$ millions, leaving a small surplus of £163,440, a balance which hardly amounts to more than an equilibrium. We bear in mind that the above estimated surplus is very small; smaller than we should wish it to be; smaller indeed than it ought to be. But then what difficulties, what sacrifices we have had to undergo, in order to make it even the little that it is! The Secretary of State has enjoined us to provide a substantial surplus if we possibly can. His Grace commenting on my last financial statement, wrote thus:—"In previous financial despatches to the Government of India, it has been stated that your estimates should be so framed as to show a probable surplus of from half a million to a million sterling; in that opinion I concur* * * I have already called your attention to army charges* * * and I shall hope to find that you have been able to effect reduction of expenditure also in some other branches of administration. Unless this can be done, it is clear that it will be necessary to devise some means of increasing the annual income, or otherwise a failure in the full estimated receipt from opium, the loss of any portion of revenue from unfavorable seasons, or any extraordinary military charges, would certainly convert the estimated surplus into a large deficit."

My exposition to-day will have shown how hard we have striven to act up to these instructions. We have reduced the army charges and other expenditure. We have devised means of increasing the annual income. But we have not yet been able to provide a surplus of half a million
 5 in the estimate. To effect this, we must have proposed a greater reduction of expenditure than what we can surely reckon on effecting within the year; or else we must have proposed additional taxation even beyond the proposals I am announcing to-day; and the difficulty of doing this is manifest. But though we are unable to provide the surplus to-day, the
 10 necessity of such provision within the earliest practicable time is constantly present to our consideration. Until this is fully effectually provided, I shall not be able to affirm that our finance is in a satisfactory condition. As yet I can only express my hope that it will be found to be improving.

Besides the ordinary expenditure, we are prepared for an expenditure
 15 of £3,062,300, or over 3 millions, on public works extraordinary, to be provided for by loan, of which £1,732,500 or $1\frac{3}{4}$ millions are for irrigation works, and £1,229,800 or $1\frac{1}{4}$ millions for State railways. The irrigation works relate to projects in Bengal, in Madras, in Bombay, in the North-West Provinces, in the Punjab, in Oude, and in the Central Provinces.

The principle of constructing some portion of the railways in India by
 20 direct State agency instead of through companies, has been further affirmed during the year by the Secretary of State. The lines on which the above expenditure is to be incurred, are the Lahore and Peshawur Railway, the railway between Delhi and Jypore passing through the
 25 salt-producing districts of Rajpootana. Within the year it has been decided that the Bombay special funds works shall no longer be classed as extraordinary, but shall be included in the category of ordinary works: they are, therefore, not included in the above description. I may here note that the purchase of the property of the Elphinstone Land Com-
 30 pany will not form any charge to the State.

I may here add that negotiations are in progress with the Maharaja Holkar, whereby His Highness will provide funds at $4\frac{1}{2}$ per cent. interest for the construction of a railway from Malwa to join the trunk line of the Great Indian Peninsula Railway.

A desire has been often expressed that an audited account should
 35 be promulgated annually of the sums raised for, and spent on, public works extraordinary. Such an account is now being prepared, and is to be kept up from year to year. We have decided to commence the
 40 account from 1869-70, being the year when the classes of works to be reckoned as extraordinary were for the first time defined, and when the raising and the expending of money for those purposes were regulated on that principle.

I have now to advert to the loan arrangements of the year 1870-71.

It will be recollected that in my last financial statement I announced
 45 a series of loans aggregating five millions, of which one million consisted of renewal of old debt, $3\frac{1}{2}$ millions of loans for public works extraordinary, and $\frac{1}{2}$ a million to recoup the cash balances for advances made to municipalities. The renewal of one million has been effected within the just expired year. Of the $3\frac{1}{2}$ millions for public works extraordinary,
 50 were to be raised in India and $1\frac{1}{2}$ in England. The $\frac{1}{2}$ million has been raised in England, instead of being raised, as was first intended, in India.

In my last financial statement, however, I mentioned that the cash balances are not even yet restored to their due proportions, and I added that "if, as the year proceeds, the accounts shall be unfavourable, some additional temporary resource will have to be provided." Within the year, the Government of India has accepted an offer of the Maharaja of Puttiala to invest £400,000 in our public securities. This having now been treated as permanent debt, we have decided to consider it as having been raised for public works extraordinary. 5

This sum, added to the sums raised on account of the three millions and a half loan which were slightly in excess of that amount, brings up the total to upwards of four millions. 10

Out of the four millions raised as above for public works extraordinary, and held at the credit of this branch of the public works department, £2,616,743, or more than 2½ millions, are being spent in the year, leaving £1,383,257, or nearly 1½ million, balance in hand due by the loan department to the public works, and to be carried on to credit in the State account of the works. 15

So much for the year 1869-70; then for the year 1870-71, the proposed arrangement is as follows.

As I have already explained to-day, the proposed expenditure during the year on public works extraordinary amounts to £3,062,300, or just three millions to be provided for by loan.

The Secretary of State has intimated his intention of raising two millions in England, leaving us to borrow in India such sums as may be found necessary to carry on the works on the scale intended. But, considering that we have, as shown above, a balance in hand of loan money to the sum of 1½ millions from 1869-70, we are unwilling to borrow if we can help it. And in the present state of our cash balances, there is no apparent necessity for bringing out any loan in India at all. It is not then our intention to raise any funds by loan until the autumn at least. By that time, the prospects of the year will be more clear, and our position in respect to ways and means can be reviewed, and a further decision as to the necessity or otherwise of raising any loan can be arrived at. But it is our hope (as at present informed) to conduct the finance of the year without further loan. 30 35

I should here add that in December last, we decided that the holders of the 5 per cent. public works loan of 1855, amounting to two millions, which fell due for repayment on the 31st March, should have the option of either receiving payment in cash, or of accepting fresh stock of the four and a half per cent. loan. The returns are not quite made up, but about ⅔ of the stock has been or is being tendered for conversion; so that it may be said that our terms have been generally accepted. This indeed is only what might have been anticipated, inasmuch as for some time past the 4½ per cent. stock has been quoted at or above 2 per cent. premium. 40

Such being the provision made for the ways and means of the year, I have to explain the returns of the cash balances. In my statement of last year I explained what a variety of large items, over and above the revenues and expenditure proper of the Government, contributes to make up this great account. It has been found, however, that the old form of statement was in some respects obscure, and an improved form has been devised, as the Council will see, according to which the figures are 50

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exhibited for the years 1868-69, 1869-70 and 1870-71. As the returns received from England often affect those obtained in India, both categories have been combined in this statement. I shall just glance at the main features of the statement for 1870-71, so as to make the technical designations intelligible. The headings of ordinary income, of ordinary and of extraordinary expenditure, are taken from the budget of the year as to-day presented. The heading of deposits and advances comprises the finances of the local funds, the funds of the civil services, the judicial deposit branch, the advances for local works and for a variety of purposes. The heads of local remittances and inter-provincial and inter-departmental transactions represent the unadjusted expenditure of India, and are interesting items. The remittance account between England and India comprises a large amount of civil service pensions, and a variety of petty advances in the military branch. There are also a good many unadjusted items under this head. The bills of exchange represent the amount remitted from India annually to meet the expenditure in England. The railway capital heading means the amount raised in England for the construction of railways in India. Here it may be observed that year by year we are spending more in India than we raise in England; this arises from the fact that in previous years we spent less in India than we received in England, and that we have now to make up the difference. The last item, namely, "borrowed," must be taken together with the item of "debt paid." This year we are to borrow $5\frac{3}{4}$ millions (£5,808,770) but then we are to pay off old debt of $2\frac{1}{4}$ millions (£2,220,470) which leaves £1,830,000 for the Elphinstone property at Bombay and £1,758,300 or nearly 2 millions new loan in England. In all £3,588,300 or $3\frac{1}{2}$ millions will be added to our debt.

I must now advert to the amount of the cash balances. According to my last statement we hoped to commence the year just closed, 1869-70, with a cash balance of £11,917,473, or close on 12 millions, but we really did commence it with a balance of only £10,175,804, or less than $10\frac{1}{2}$ millions. In case this discrepancy be attributed to some fault in the Account department, I should, in justice to that department, explain that such is not the case; for that part of the statement which depended on the Account department turned out correct enough; the discrepancy occurred in that part of the estimate for which the Government of India is responsible. The difference indeed arose solely from the income of the year 1868-69 being less, and the expenditure more, than was anticipated. The causes I have already explained to-day in the earlier part of this exposition. Again, in my last statement the cash balance at the close of the year 1869-70, was estimated at £11,627,310, or $11\frac{1}{2}$ millions. It is now expected to amount to £13,644,859, or more than $13\frac{1}{2}$ millions. The Council will naturally ask, how it is that, notwithstanding the financial troubles of the year, we end with more money in the treasury than was expected? The answer is, that out of the $3\frac{1}{2}$ millions borrowed for public works extraordinary during the year, we have still one million in hand, and that there was the Puttiala loan besides to the amount of £400,000. Also the accident of the first English mail of last month, March, not having reached Calcutta till just after the close of that month, has caused a quarter of a million of bills and drafts, which were expected to be paid in March, that is in 1869-70, to fall into the following year, 1870-71.]

1870-71. This too partly accounts for the difference observable in the cash statement between bills drawn and bills paid. The last-named sum of the cash balance is still, however, to some extent only an estimate which may be disturbed by variations in items on either side of an account, which, both sides taken together, amounts in all to 168 millions. 5 This estimate then of cash balances is nothing more than the balancing entry at the end of a really vast account. It has however been further checked by the actual assets in the various treasuries in India at the latest dates. On the 31st January last, there were actually £11,839,097, or nearly 12 millions in hand; on the 28th February (the latest month), 10 there were £12,692,129, or over 12½ millions. Telegraphic estimates received from the several local Accountants General so recently as yesterday, make the actual cash balances on the 31st March £13,500,000. These estimates being framed with a knowledge of the actual balances at the presidency towns and with recent information as to the state of 15 the balances at the more important treasuries in the interior, are not likely to be far wrong. The result—thus derived from opposite and independent data—corresponds very nearly with the amount (£13,644,859) worked out from our estimate and gives me considerable confidence in its general accuracy. The estimate must be exhibited in this manner, under 20 our existing system, although it is exposed to so many chances. But I have now endeavoured to narrow the uncertainty by the comparison with the actual assets at the commencement of the eleventh month of the year, and at even later dates, which leaves a margin of one month only, or even less than one month, for uncertainty. 25

Commencing then the current year 1870-71 with a cash balance of 13½ millions as above seen, we estimate the receipts of our general treasury, including revenues, deposits, recoveries, loans, and the like at £84,265,466, or 84½ millions on the one side; and the disbursements, including expenditure, ordinary and extraordinary, payments on account of 30 debt, of Secretary of State's bills and the like at £73,696,023, or 73½ millions on the other side, leaving a balance of £10,569,443, or 10½ millions, as the cash balance at the close of the year. It may be here asked why we expect the cash balances to be less by three millions this time twelve month than they are now. The answer is that we are to 35 spend one million on public works extraordinary more than we borrow; that we are to advance half a million for the construction of railways in India more than we receive on that account in England; that the remittance account shows an adverse balance; that in the deposit and advance account the payments are slightly to exceed the receipts. These several 40 items fully account for the difference.

Having now completed my exposition of the finances, I shall, before concluding, mention that the subject of the financial relations between the Supreme Government and the several Local Governments is still 45 under the consideration of the Government of India. I have of course formed and recorded my own opinion on the whole subject. But it is really not in my power to say anything regarding the matter on the present occasion, as I cannot tell what decision will be arrived at, or by what time, if formed, it could be carried out.

I may here add that some additional portion of the cash reserve of 50 the Paper Currency department will probably be invested in Government

securities. The Council may remember that in my last financial statement, I mentioned that the note circulation had risen to an amount above ten millions; it has since then risen further at one time to a sum between $11\frac{1}{2}$ and $11\frac{1}{2}$ millions, though of course there are fluctuations from time to time. The gradual and progressive increase in the circulation has been held to justify our enhancing a portion of the reserve which is held in Government securities. The amount thus to be held in securities is limited by law to four millions. We propose to extend that limitation to six millions, and for this we have the express sanction of the Secretary of State. I have introduced a Bill for this purpose into this Council. The operation if authorized would be cautiously tentative, and some considerable time may elapse before the limit is approached.

It is a source of much regret to me that we have not yet been able to promulgate the rules, long since prepared, for the further development of Savings Banks in the interior of the country. But it has been necessary to consult many local authorities, and some delay has been unavoidable. The matter is however receiving attention.

As the council probably knows, no marked result has as yet been produced by the Notification of November 1868, whereby it was announced that the sovereign would be taken at the Government treasuries as an equivalent for ten rupees four annas, instead of ten rupees as before. The total number of sovereigns received in the Calcutta Treasury alone since that date exceeds 150,000. The importation of gold into India from November 1868 to January 1870 amounted to 7 millions sterling against 6 millions of the corresponding previous period.

In my last financial statement, allusion was made to the satisfactory condition of our public credit as proved by the prices of the Government stocks of all denominations. This favorable indication has again lasted throughout the year 1869-70, and this notwithstanding the prospect of the revenues turning out less, and the public expenditure more, than was estimated for. During this year the premia on Government 5 per cent. stock reached $9\frac{1}{2}$ per cent., which rate was maintained through the months of June and July 1869; at the same period the premia on $5\frac{1}{2}$ per cent. stock exceeded 14 per cent., the price of 4 per cents. at that time ranged between 94 and 95, a rate that has since been steadily maintained. The gradual decline since 1868 in the value of 5 and $5\frac{1}{2}$ per cent. stocks may of course be attributed to the diminution of the period for which the loans at those rates have currency. The loan of two millions bearing four per cent. interest, which was raised in India in April, the first month of the year, was subscribed on favorable terms, that is to say, at the average rate of $90\frac{3}{16}$ for every hundred rupees; the result being that the money was obtained at just over $4\frac{1}{2}$ per cent. Subscriptions were invited by tenders, that is by open competition. Though the amount required was not more than two millions, yet the aggregate of tenders came to upwards of $5\frac{1}{2}$ millions, and the number of persons who made tenders came to 611. Of the amount of tenders accepted, about one-fourth belonged to Natives of India; again out of 246 parties whose tenders were successful, 121 were Natives.

Such then is the budget for 1870-71. The main points in my exposition have been—

1870-71.]

that, for 1868-69, the deficit of income as compared with the ordinary expenditure, originally estimated at one million, has, from various causes, swollen to $2\frac{3}{4}$ millions;

that, for 1869-70, instead of the equilibrium expected to be maintained between income and ordinary expenditure, there will be a deficit;

that, nevertheless, this deficit, which at one time threatened to be great, has been much reduced by additional taxation and by retrenchment of expenditure;

that from this additional taxation and this retrenchment of expenditure, the total gain to the finances within the year has amounted to $1\frac{1}{2}$ millions;

that, for 1870-71, there is estimated a small surplus of income over ordinary expenditure;

that this estimate is arrived at after doubling the income tax, and reducing the expenditure in the army and on the public works by $1\frac{3}{4}$ million;

that after balancing increases against decreases of all kinds, there is still a nett reduction of $1\frac{1}{2}$ million on the total expenditure of all descriptions;

that, in 1870-71, there are to be two millions of new taxation as compared with 1868-69, and three quarters of a million as compared with 1869-70; which taxation, however, for the most part, falls on the middle and upper classes, and but little on the poorer classes of the Natives of India;

that the expenditure on public works ordinary which stood at $6\frac{1}{2}$ millions in 1868-69, has been reduced to 5 millions in 1869-70, and to 4 millions for 1870-71;

that, besides the ordinary expenditure, there has been an extraordinary expenditure on reproductive public works, to be provided for by loan, in 1868-69 of $1\frac{3}{4}$ millions, and in 1869-70 of $2\frac{1}{2}$ millions, and that in 1870-71 there is proposed to be an expenditure of 3 millions;

that while the expenditure on public works ordinary has been falling, the expenditure on public works extraordinary has been proportionably rising;

that for the public works extraordinary, in 1869-70, there were borrowed 4 millions, out of which $2\frac{1}{2}$ millions have been actually expended in the year, leaving $1\frac{1}{2}$ million in hand;

that for the carrying on of public works extraordinary in 1870-71, at an expenditure of 3 millions, there are 2 millions to be raised in England, and that no new loan is to be raised in India at present, save the $\frac{1}{4}$ of a million to be advanced by the Maharaja Holkar for State railways;

that the object of our financial arrangements at present is to surmount the difficulties of the time, without adding any thing to the national debt for ordinary expenditure;

that we are striving to adhere strictly to the principle of accounting separately for sums borrowed for extraordinary and reproductive public works.

In concluding my exposition last year, I spoke of growing commerce and of expanding income. To-day, unfortunately, I have had to speak
[1870-71.]

of trade depressed and of income diminished. But last year, I spoke also of an ordinary expenditure held in control; of the application of State capital to material improvement; of the resources furnished by public credit. And to-day fortunately, I have been able again to speak of these.

5 Last year the burden of my exposition was the existence of deficit. My hope then was that the deficit would be put an end to, but to-day I have had to acknowledge that the evil still exists, despite our efforts for its extinction. Once more, however, we have endeavoured to provide for at least an equilibrium, and even for a surplus. It remains to be seen

10 whether this will be accomplished; but at all events no exertion will be spared for its accomplishment. And although great financial difficulties have occurred, still the general condition of the people, and the continued progress of the country, encourage us to hope that those difficulties, already so strenuously encountered, will be ultimately overcome.

APPENDICES.

ENGLAND

REVENUES AND RECEIPTS.	Actual, 1869-69.	Budget, 1869-70.	Regular, 1869-70.	Increase.	Decrease.	Budget, 1870-71.	Budget compared with Re- gular Estimate.
	£	£	£	£	£	£	£
I.—LAND REVENUE ...	20,246,675	21,075,500	21,537,278	461,778	...	21,023,632	-513,646
II.—TRIBUTES AND CON- TRIBUTIONS FROM NATIVE STATES ...	687,363	693,200	765,143	71,943	...	737,073	-28,070
III.—FOREST ...	407,342	436,600	476,090	39,490	...	583,780	+112,690
IV.—EXCISE ON SPIRITS AND DRUGS ...	2,283,736	2,289,000	2,245,700	...	43,300	2,285,000	+39,300
V.—ASSESSED TAXES ...	509,700	900,000	1,051,600	151,600	...	2,180,000	+1,128,400
VI.—CUSTOMS ...	2,692,755	2,773,50	2,416,500	...	357,000	2,416,500	...
VII.—SALT ...	5,688,240	5,826,800	5,842,350	15,550	...	6,177,370	+335,020
VIII.—OPIUM ...	8,453,365	8,286,540	7,953,800	...	332,740	6,922,281	-1,031,519
IX.—STAMPS ...	2,306,971	2,396,900	2,361,600	...	32,300	760,000	-1,601,600
X.—MINT ...	193,789	136,800	159,340	21,540	...	139,970	-18,370
XI.—POST OFFICE ...	707,792	687,500	714,077	26,577	...	750,590	+36,513
XII.—TELEGRAPH ...	274,497	244,000	238,000	...	6,000	193,056	-44,944
XIII.—LAW AND JUSTICE ...	894,856	865,100	782,100	...	83,000	2,474,800	+1,692,700
XIV.—POLICE ...	277,237	301,400	265,960	...	35,440	251,966	-13,994
XV.—MARINE ...	688,084	248,500	300,530	52,030	...	265,615	-34,915
XVI.—EDUCATION ...	73,711	83,400	73,958	...	9,442	78,574	+4,616
XVII.—INTEREST ...	275,560	289,600	356,850	67,250	...	365,321	+8,471
XVIII.—MISCELLANEOUS ...	1,259,792	966,700	1,415,172	448,472	...	737,574	-677,298
	47,820,364	48,501,040	48,958,048	1,356,230	899,222	48,348,402	-609,646
ARMY ...	1,133,024	732,000	913,760	181,760	...	736,225	-177,535
PUBLIC WORKS ...	224,653	153,600	156,500	2,900	...	117,870	-38,630
RAILWAYS ...	2,479,617	2,856,300	2,914,174	57,874	...	3,125,258	+211,084
TOTAL ...	51,657,658	52,242,940	52,942,482	1,598,764	899,222	52,327,755	-614,727
DEFICIT, EXCLUDING PUBLIC WORKS EXTRAORDINARY ...	2,774,030	...	625,594	...	...	...	...
DEFICIT, INCLUDING PUBLIC WORKS EXTRAORDINARY ...	4,144,643	3,513,150	3,242,337	...	...	2,898,860	...

FORT WILLIAM;
 FINANCIAL DEPARTMENT,
The 2nd April 1870.

EDWARD GAY,
Depy. Comptlr. Genl. of Accounts.

1870-71.]

AND INDIA.

EXPENDITURE.	Actual, 1868-69.	Budget, 1869-70.	Regular, 1869-70.	Increase.	Decrease.	Budget, 1870-71.	Budget compared with Re- gular Estimate.
	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT	5,056,140	4,950,990	5,030,506	73,516	...	5,300,538	+270,032
2.—INTEREST ON SERVICE FUNDS AND OTHER AC- COUNTS ...	598,844	518,710	643,635	124,925	...	514,002	-129,633
3.—ALLOWANCES, REFUNDS, AND DRAWBACKS ...	553,492	259,370	449,700	190,330	...	400,000	-49,700
4.—LAND REVENUE ...	2,485,508	2,542,320	2,460,210	...	82,110	2,407,612	+37,402
5.—FOREST ...	200,464	284,850	319,934	35,084	...	437,640	+117,606
6.—EXCISE ON SPIRITS AND DRUGS ...	302,284	263,050	261,050	...	2,000	288,094	+27,944
7.—ASSESSED TAXES ...	22,030	30,000	41,220	11,220	...	59,100	+17,890
8.—CUSTOMS ...	176,880	182,640	181,800	...	840	189,214	+7,414
9.—SALT ...	359,724	395,270	395,720	450	...	499,019	+103,299
10.—OPIUM ...	1,720,111	1,724,330	1,848,200	123,870	...	2,013,110	+164,910
11.—STAMPS ...	116,932	120,335	110,462	...	9,873	63,363	-42,099
12.—MINT ...	116,422	95,554	102,455	3,901	...	95,908	-6,547
13.—POST OFFICE ...	693,316	771,074	737,136	...	33,938	729,683	-7,553
14.—TELEGRAPH ...	694,022	581,211	533,538	...	47,673	589,719	+56,181
15.—ADMINISTRATION ...	1,372,166	1,360,862	1,396,837	35,975	...	1,400,601	+3,764
16.—MINOR DEPARTMENTS ...	218,543	255,785	246,138	...	9,647	239,167	-6,971
17.—LAW AND JUSTICE ...	2,845,447	2,869,670	2,885,840	16,170	...	3,064,538	+178,693
18.—POLICE ...	2,476,580	2,374,290	2,440,900	66,610	...	2,319,964	-120,936
19.—MARINE ...	1,140,630	883,227	1,205,109	381,882	...	784,100	-481,009
20.—EDUCATION ...	599,853	653,332	614,032	...	39,300	680,630	+66,493
21.—ECCLESIASTICAL ...	163,590	169,100	162,840	...	6,260	169,795	+6,955
22.—MEDICAL SERVICES ...	418,220	456,068	467,967	11,901	...	503,654	+35,687
23.—STATIONERY AND PRINT- ING ...	397,704	281,338	362,600	81,262	...	344,250	-18,350
24.—POLITICAL AGENCIES AND OTHER FOREIGN SER- VICES ...	349,855	270,590	422,830	152,290	...	313,675	-109,205
25.—ALLOWANCES AND AS- SIGNMENTS UNDER TREATIES AND EN- GAGEMENTS ...	1,778,353	1,905,520	1,892,850	...	12,670	1,787,090	-105,760
26.—MISCELLANEOUS ...	831,083	585,135	1,033,863	448,728	...	985,192	-48,671
27.—SUPERANNUATION, RE- TIRED, AND COMPAS- SIONATE ALLOWANCES	1,669,968	945,600	1,249,572	303,972	...	1,376,253	+126,681
	27,406,421	25,739,219	27,550,994	2,062,086	244,311	27,651,511	+94,517
ARMY ...	16,269,591	16,054,061	16,476,892	422,831	...	15,745,341	-731,551
PUBLIC WORKS ORDINARY ...	6,272,334	5,834,160	5,040,395	...	793,765	3,998,400	-1,041,995
RAILWAYS ...	4,483,352	4,562,850	4,493,795	...	69,055	4,769,063	+275,268
	54,431,688	52,190,290	53,568,076	2,484,917	1,107,131	52,164,315	-1,403,761
PUBLIC WORKS EXTRAORDI- NARY ...	1,370,613	3,565,800	2,616,743	...	949,057	3,062,300	+445,557
	55,802,301	55,756,090	56,184,819	2,484,917	2,056,188	55,226,615	-958,204
TOTAL ...	55,802,301	55,756,090	56,184,819	2,484,917	2,056,188	55,226,615	-958,204
SURPLUS, EXCLUDING PUBLIC WORKS EXTRAORDINARY ...	...	52,650	...	...	...	163,440	...

E. F. HARRISON,

Comptroller General of Accounts.

R. B. CHAPMAN,

Offg. Secy. to the Govt. of India.

[1870-71.]

I N

REVENUES AND RECEIPTS.	Actual, 1868-69.	Budget, 1869-70.	Regular, 1869-70.	Increase.	Decrease.	Budget, 1870-71.
	£	£	£	£	£	£
I.—LAND REVENUE ...	20,246,575	21,075,500	21,537,278	461,778	...	21,023,632
II.—TRIBUTES AND CONTRIBUTIONS FROM NATIVE STATES ...	687,363	693,200	765,143	71,943	...	737,073
III.—FOREST ...	407,342	436,600	476,090	39,490	...	588,780
IV.—EXCISE ON SPIRITS AND DRUGS	2,283,736	2,289,000	2,245,700	...	43,300	2,285,000
V.—ASSESSED TAXES ...	508,700	900,000	1,051,000	151,000	...	2,180,000
VI.—CUSTOMS ...	2,692,755	2,773,500	2,416,500	...	357,000	2,416,500
VII.—SALT ...	5,588,240	5,826,800	5,812,350	15,550	...	6,177,370
VIII.—OPIUM ...	8,453,365	8,286,510	7,953,800	...	332,710	6,922,281
IX.—STAMPS ...	2,306,971	2,396,900	2,364,600	...	32,300	760,000
X.—MINT... ...	193,788	136,800	158,340	21,540	...	139,970
XI.—POST OFFICE ...	707,792	687,500	714,077	26,577	...	750,590
XII.—TELEGRAPH ...	256,021	220,000	192,400	...	27,600	163,956
XIII.—LAW AND JUSTICE ...	894,856	865,100	782,100	...	83,000	2,474,800
XIV.—POLICE ...	277,237	301,400	265,960	...	35,440	251,066
XV.—MARINE ...	688,084	248,500	300,530	52,030	...	265,615
XVI.—EDUCATION ...	73,711	83,400	73,958	...	9,442	78,574
XVII.—INTEREST ...	224,523	261,600	322,850	61,250	...	337,321
XVIII.—MISCELLANEOUS ...	1,259,792	966,700	1,415,172	448,472	...	737,874
	47,750,851	48,449,040	48,878,448	1,350,230	920,822	48,291,302
ARMY ...	1,101,503	730,000	900,000	170,000	...	733,925
PUBLIC WORKS ...	224,653	153,600	156,500	2,900	...	117,870
RAILWAYS ..	2,479,617	2,856,300	2,903,030	47,630	...	3,125,258
TOTAL ...	51,556,624	52,188,940	52,838,878	1,570,760	920,822	52,268,355

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 2nd April 1870.

1870-71.]

EDWARD GAY,
Depty. Compt. Genl. of Accounts,

D I A.

EXPENDITURE.	Actual, 1868-69.	Budget, 1869-70.	Regular, 1869-70.	Increase.	Decrease.	Budget, 1870-71.
	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UN-FUNDED DEBT ...	2,897,921	2,794,770	2,821,500	26,730	...	2,993,700
2.—INTEREST ON SERVICE FUNDS AND OTHER ACCOUNTS ...	598,844	518,710	643,635	124,925	...	514,002
3.—ALLOWANCES, REFUNDS, AND DRAWBACKS ...	553,492	259,370	449,700	190,330	...	400,000
4.—LAND REVENUE ...	2,485,508	2,542,320	2,460,210	...	82,110	2,497,612
5.—FOREST ...	260,464	284,850	319,034	35,034	...	437,540
6.—EXCISE ON SPIRITS AND DRUGS...	302,284	263,050	261,050	...	2,000	288,994
7.—ASSESSED TAXES ...	22,680	30,090	41,220	11,220	...	59,100
8.—CUSTOMS ...	175,880	182,640	181,800	...	840	189,214
9.—SALT ...	359,724	395,270	395,720	450	...	499,019
10.—OPIMUM ...	1,720,111	1,724,330	1,848,200	123,870	...	2,013,110
11.—STAMPS ...	95,419	96,410	101,720	5,310	...	48,012
12.—MINT ...	90,734	86,470	87,230	760	...	86,499
13.—POST OFFICE ...	577,554	706,120	678,182	...	32,938	604,886
14.—TELEGRAPH ...	411,881	447,000	437,451	...	9,549	356,792
15.—ADMINISTRATION ...	1,173,680	1,169,862	1,196,037	26,175	...	1,198,201
16.—MINOR DEPARTMENTS ...	218,543	255,785	246,138	...	9,647	239,167
17.—LAW AND JUSTICE ...	2,845,447	2,869,670	2,685,840	16,170	...	3,064,538
18.—POLICE ...	2,476,530	2,374,290	2,440,900	66,610	...	2,319,964
19.—MARINE ...	790,779	473,390	905,844	432,454	...	476,176
20.—EDUCATION ...	599,858	653,332	614,032	...	39,300	680,530
21.—ECCLESIASTICAL ...	163,590	169,100	162,840	...	6,260	169,795
22.—MEDICAL SERVICES ...	418,220	456,066	467,967	11,901	...	503,654
23.—STATIONERY AND PRINTING ...	243,875	227,790	249,040	21,250	...	260,625
24.—POLITICAL AGENCIES AND OTHER FOREIGN SERVICES...	321,177	235,590	381,880	146,290	...	278,675
25.—ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS ...	1,745,072	1,886,190	1,873,514	...	12,676	1,767,754
26.—MISCELLANEOUS " ...	523,820	388,715	722,144	333,429	...	695,067
27.—SUPERANNUATION, RETIRED, AND COMPASSIONATE ALLOWANCES ...	711,429	711,600	613,280	...	98,320	730,481
	22,784,516	22,202,690	23,482,008	1,572,958	293,640	23,433,107
ARMY ...	12,989,566	12,850,000	12,980,000	130,000	...	12,490,000
PUBLIC WORKS ORDINARY...	6,122,004	5,664,000	4,774,800	...	889,200	3,993,400
RAILWAYS ...	588,969	422,850	358,795	...	64,055	406,063
	42,485,085	41,139,540	41,595,603	1,702,958	1,243,895	40,327,570
PUBLIC WORKS EXTRAORDINARY ...	1,017,958	2,253,800	1,446,700	...	807,100	3,062,300
TOTAL ...	43,503,043	43,393,340	43,042,303	1,702,958	2,053,995	43,389,870

E. F. HARRISON,
Comptroller General of Accounts.

R. B. CHAPMAN,
Offg. Secy. to the Govt. of India.

[1870-71.]

ENGLAND.

1870-71.]

REVENUES AND RECEIPTS.	Actual, 1868-69.	Budget, 1869-70.	Regular, 1869-70.	Increase.	Decrease.	Budget, 1870-71.	EXPENDITURE.	Actual, 1868-69.	Budget, 1869-70.	Regular, 1869-70.	Increase.	Decrease.	Budget, 1870-71.
	£	£	£	£	£	£		£	£	£	£	£	£
XII.—TELE- GRAPH	18,476	24,000	45,600	21,600	...	29,100	1.—INTEREST ON FUNDED AND UNFUNDED DEBT	2,158,219	2,163,220	2,209,006	46,786	...	2,306,838
							11.—STAMPS	20,513	23,925	8,742	...	16,183	20,351
							12.—MINT	24,688	12,084	15,225	3,141	...	9,409
							13.—POST OFFICE	115,762	64,954	63,954	...	1,000	64,697
XVII.—INTER- EST ...	51,037	23,000	34,000	6,000	...	28,000	14.—TELEGRAPH	272,741	134,211	98,087	...	38,124	232,027
							15.—ADMINISTRATION	198,566	191,000	200,800	9,800	...	202,400
							18.—MARINE	349,851	409,537	359,265	...	50,572	307,924
							23.—STATIONERY AND PRINT- ING	163,829	63,548	113,660	60,012	...	83,625
							24.—POLITICAL AGENCIES AND OTHER FOREIGN SERVICES...	28,678	35,000	41,000	6,000	...	35,000
							25.—ALLOWANCES AND AB- SENCES UNDER EN- GAGEMENTS	33,286	19,330	19,336	6	...	19,336
							26.—MISCELLANEOUS, INCLUD- ING CIVIL FURLOUGH AND ABSENTEE AL- LOWANCES	307,263	196,420	311,719	115,299	...	290,125
							27.—SUPERANNUATION, RE- TIRED, AND COMPAS- SIONATE ALLOWANCES	958,539	234,000	636,292	402,292	...	645,772
							TOTAL	4,621,875	3,536,529	4,074,986	643,336	104,879	4,218,404
TOTAL	69,513	52,000	79,600	27,600	...	57,100	ARMY ...	3,280,015	3,204,061	3,496,892	292,831	...	3,255,341
ARMY	31,521	2,600	13,760	11,760	...	2,300	PUBLIC WORKS ORDINARY ...	150,330	170,160	263,595	96,435	...	4,363,000
RAILWAYS	...	...	10,244	10,244	...	...	RAILWAYS	3,894,383	4,140,000	4,135,000	...	5,000	11,836,745
							PUBLIC WORKS EXTRAORDI- NARY	11,946,603	11,050,750	11,972,473	1,031,602	109,879	...
TOTAL	101,034	54,000	103,604	49,604	...	59,400	TOTAL	352,655	1,312,000	1,170,043	...	141,957	...
								12,299,258	12,362,750	13,142,516	1,031,602	251,836	11,836,745

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 2nd April 1870.

EDWARD GAY,
Depy. Compt. Genl. of Accounts.

E. F. HARRISON,
Comptroller General of Accounts.

R. B. CHAPMAN,
Offg. Secy. to the Govt. of India.

Receipts and Payments in England and India during the Year 1868-69.

RECEIPTS.	England.	India.	Total.	PAYMENTS.	England.	India.	Total.
1. Opening Balance ...	...	...	...	10. Ordinary Expenditure ...	...	...	...
2. Ordinary Income ...	...	...	...	11. A. Extraordinary ...	...	...	...
3. Deposits repayable and Advances recoverable, &c. ...	...	...	...	12. Local Remittances ...	...	...	...
4. Inter-provincial and inter-departmental transactions ...	...	...	...	13. Inter-provincial and inter-departmental transactions ...	...	...	...
5. Remittance Account ...	...	...	...	14. Remittance Account ...	...	...	...
6. A. Abyssinian Expedition ...	...	...	...	15. Bills of Exchange ...	...	...	...
7. Bills of Exchange ...	...	...	...	16. Railway Capital ...	...	...	...
8. Railway Capital ...	...	...	...	17. Debt paid ...	...	...	...
9. Borrowed ...	...	...	...	18. Closing Balance ...	...	...	...
TOTAL	19,896,258	101,437,153	121,333,411	TOTAL	19,896,258	101,437,153	121,333,411

ABSTRACT OF THE ABOVE, SHOWING HOW THE WAYS AND MEANS OF THE YEAR HAVE BEEN PROVIDED.

Cash Balance reduced	...	...	£ 1,530,457	Deficit on Ordinary Account	...	...	£ 2,774,030
Local Remittances	...	...	2,354,997	Extraordinary Expenditure	...	...	1,370,613
Inter-provincial and inter-departmental transactions	...	...	666,693	Deposits repayable and Advances recovered	...	...	370,587
Railway Capital Receipts in excess of Expenditure	...	...	1,663,653	Remittances	...	...	196,970
Borrowed	...	...	744,506	Abyssinian Advances	...	...	1,375,330
				Bills of Exchange	...	...	672,776
TOTAL	...	...	£ 6,760,306	TOTAL	...	...	£ 6,760,306

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 2nd April 1870.

EDWARD GAY,

Deputy Comptroller General of Accounts.

E. F. HARRISON,

Comptroller General of Accounts.

R. B. CHAPMAN,

Offg. Secy. to the Govt. of India.

Estimated Receipts and Payments in England and India during the year 1870-71.

RECEIPTS.		England.	India.	TOTAL.	PAYMENTS.		England.	India.	TOTAL.
		£	£	£			£	£	£
1. Opening Balance	...	1,320,180	13,644,859	14,965,039	10. Ordinary Expenditure ...	...	11,836,745	40,327,570	52,164,315
2. Ordinary Income	...	59,400	52,268,355	52,327,755	10 A. Deposits repaid and Advances re-	...	...	3,062,300	3,062,300
3. Deposits repayable and Advances recovered, &c.	...	...	12,554,698	12,554,698	11. coverable, &c. ...	...	...	14,754,499	14,754,499
4. Local Remittances	...	...	263,342	263,342	12. Local Remittances	...	...	197,276	197,276
6. Remittance Account between Eng-land and India	...	202,000	1,725,442	1,927,442	14. Remittance Account between Eng-land and India	...	1,652,828	262,108	1,914,936
6 A. Abyssinian Recoveries	...	100,000	...	100,000	14 A. Abyssinian Expedition...	...	...	10,000,000	10,000,000
7. Bills of Exchange	...	9,500,000	...	9,500,000	15. Bills of Exchange	...	2,297,000	2,871,800	5,168,800
8. Railway Capital	...	4,624,000	3,808,770	8,432,770	16. Railway Capital	...	...	2,230,470	2,230,470
9. Borrowed	...	2,000,000	...	2,000,000	17. Debt paid	...	2,019,007	10,569,443	12,588,450
					18. Balance (closing)	...	...	...	...
TOTAL	...	17,805,580	84,265,468	102,071,046	TOTAL	...	17,805,580	84,265,468	102,071,046

ABSTRACT OF THE ABOVE, SHOWING HOW THE WAYS AND MEANS OF THE YEAR ARE ESTIMATED TO BE PROVIDED.

Cash Balance reduced	...	£ 2,376,589	Extraordinary Expenditure	...	...	£ 3,062,300
Surplus in Ordinary Account	...	163,440	Deposits and Advances	...	...	" 2,196,801
Local Remittances	...	66,066	Bills of Exchange...	...	...	" 500,000
Remittances, England and India	...	12,506	Railway Capital	...	...	" 544,800
Abyssinian Recoveries	...	100,000				
Borrowed	...	3,588,300				
TOTAL	...	£ 6,306,901	TOTAL	...	£ 6,306,901	

[1870-71.]

FORT WILLIAM; }
FINANCIAL DEPARTMENT,
The 2nd April 1870.

EDWARD GAY,

Depty. Compt'r. Genl. of Accounts.

E. F. HARRISON,

Comptroller General of Accounts.

R. B. CHAPMAN,

Offg. Secy. to the Govt. of India.

FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

MARCH 9th 1871.

I HAVE now to present the Budget of British India for the year 1871-72, this being the twelfth annual statement presented since the introduction of our existing financial system.

I shall commence by adverting to the form in which the statement has been drawn up. 5

It will be recollected that in my exposition delivered before this Council on the 2nd April last, I explained the alteration made in the exhibition of the account of Government with the Guaranteed Railway Companies. By that alteration we showed on one side the amount of guaranteed interest payments, and, on the other side, the amount of 10 net traffic receipts; instead of the former method, whereby only one item was shown, namely, the guaranteed interest less the net traffic receipts. In other words, we exhibited the account gross on both sides, instead of the expenditure net on one side. Well, the Secretary of State has determined, after considering all our representations in favor of the 15 alteration, that we must still continue to exhibit the account as before by its net result on the expenditure side, that is by one item, namely, "Guaranteed interest less net traffic receipts." I have accordingly to exhibit the guaranteed interest net in the statement itself. But at the foot of the statement there are appended figures showing the account 20 gross in the method explained in my last financial statement, which method was, I believe, approved generally by this Council and by many others interested in this portion of our finance. Thus the important objects set forth in my last exposition will still be fully attained.

This modification will make no difference in the ultimate result of 25 the figures as regards surplus and deficit. But it will make a difference in the totals of receipts and expenditure, that is, the deduction of an equal amount from both sides of the account. The grand totals, there-

[1871-72.]

fore, of the statement I shall make to-day will not admit of exact comparison with those of my statement in April of last year. But the figures of surplus and deficit on this occasion and the last will be strictly comparable.

5 Also I explained in April last why we had transferred the canal water rent from the heading of public works receipts to the heading of land revenue. We have since determined, on a further review of all the circumstances, to exhibit these irrigation receipts separately. I trust that this growing item, now nearly half a million annually, will prove of
10 general interest. Its growth is indeed anxiously awaited by us, in order that there may be some appreciable off-set to the fast-accruing interest on capital outlay.

Lastly, it has been considered proper to show again under one head the entire revenue raised by stamps, whether under the General Stamp
15 Act or the Court Fees Act.

After this brief preface I proceed to deal with the figures in the same order as that observed in all previous statements; that is, firstly, the actual figures for the past year 1869-70; secondly, the approximate figures for the current year 1870-71, according to the regular estimate;
20 and thirdly, the proposed figures for the coming year 1871-72, according to the budget. I shall take the figures from the combined statement for England and India in the same manner as I did last year.

I begin then with the past year 1869-70. The Council will recollect that the regular estimate for that year exhibited in my last exposition
25 showed an anticipated deficit of income below ordinary expenditure of £625,594, or more than half a million sterling. The actual figures, however, now show a small surplus of £118,668. Thus the actual turns out more favorable than the estimated account by £744,262, or three quarters of a million. It is also slightly more favorable (by £57,796)
30 than the approximately actual figures published in September last; this small difference being attributable mainly to the railway account. I shall explain briefly the causes of this fortunate result. The receipts of the year were taken in the regular estimate at £50,297,052; they have proved to be £50,901,081, showing a difference favorable of £604,029.
35 The ordinary expenditure was estimated at £50,922,646. It has proved to be £50,782,413, showing a difference favorable of £140,233. The favorable difference in receipts is partly nominal, arising from certain items being shown gross which in the estimate were shown net; but chiefly real, arising from unexpected recoveries in the Military Depart-
40 ment by the sale of stud cattle and by the adjustment of the value of supplies to the Abyssinian Expedition and to the civil departments and administrations, and also from a variety of small increases under several heads of revenue,—to wit, land revenue, income tax, customs, salt, stamps. The difference favorable in expenditure arises chiefly in the
45 military heading, the savings from the reductions of expenditure proving somewhat greater than had at first been hoped for; partly also from the amount of unpaid dividends and unclaimed allowances being more than was anticipated; partly, further, from various smaller savings in civil branches,—to wit, land revenue, opium, administration departments,
50 post office, and police. In a word, the largest difference on the whole account (£315,116) is attributable to the unexpected additional military 1871-72.]

recoveries and to the favorable financial effect of the military reductions which had been ordered.

Thus ends the financially eventful year 1869-70. The original estimate showed a small surplus of £52,650. As the year wore on, a large deficiency, arising partly from a fall in opium and depression of 5 trade, was anticipated. Various measures detailed in the last financial exposition were taken to avert the threatened deficiency. Still, as proved by the regular estimate, fears were entertained up to the close of the year that the deficit, though greatly diminished, would not be altogether avoided. The result, however, as shown by the actuals proves 10 that the original estimate has been more than fulfilled, the actual surplus being £118,668.

This result is owing partly to management, and partly to fortune. The management consisted in the measures adopted within the year by the Supreme Government and in the economies carried out by the local 15 Governments. The fortune consisted of a variety of adjustments and recoveries, for the most part unestimated, bettering the account, on the whole, to the net extent of £866,580. I am constrained to make this remark because it seems to have been supposed in some quarters that we brought out the surplus lower than it ought to have been by a variety 20 of debit adjustments made at the last moment! Now we certainly had to make a variety of adjustments (all of which were completed before the production of my last statement to this Council), thereby clearing once for all a number of long standing and unsettled items from the public accounts. Some of these were on the credit, others on the debit 25 side. After setting the latter against the former, the result was a net advantage to the account as just set forth. Thus the unavoidable operation was not, as has sometimes been supposed, at all unfavorable to the final out-turn, but actually favorable!

Further, if I have apprehended rightly, it seems to have been under- 30 stood in some quarters that the favorable result just described shows that the measures taken during that year by the Government of India were, after all, not necessary, or that there may be difference of opinion as to their necessity. I will therefore declare, for the last time, that those measures were both just and necessary, and that there is not—there never 35 has been—any difference of opinion in the Government of India on the subject. I showed in my last exposition that those measures bettered the account by $1\frac{1}{2}$ million sterling. Had it not been for them, therefore, there would have been a deficit of nearly $1\frac{1}{2}$ million, instead of the small surplus which I have the pleasure to announce to-day. It seems to me 40 that this is as strong a financial justification of those measures as could reasonably be expected.

Further, I understand it to have been held in some quarters that the occurrence of this small surplus, instead of deficit, for the past year 1869-70, does, to some extent, cut away the ground from under the 45 measure of the increased rate of income tax for the present year 1870-71. I can admit, however, nothing of the sort. It is true that, amidst, an accumulation of many reasons for the enhanced rate of income tax, the anticipated deficit of 1869-70 was one. But the disappearance of this one reason does not at all affect the other and graver reasons. 50

Among these reasons were the deficits of preceding years, unfortunately beyond question, evincing unsatisfactory tendencies in our finance, which tendencies could only be stopped by fresh taxation. But the principal reason lay in the condition and prospects of the year 1870-71, to which
5 I have yet to advert. The increased income tax was imposed for 1870-71, the estimate for which year was framed on data of its own, many of which were independent of the out-turn of the preceding year. Even if the actual figures of the year 1869-70 had been known, which was impossible, the prospect of deficit for 1870-71 would have remained unaffected
10 in any essential degree. The surplus of one year cannot be carried over as it were to mitigate the prospect of deficit for the following year.

This brings me to the figures of the current year, 1870-71. As the Council recollects, the budget showed a surplus of £163,440. The regular estimate now shows a surplus of £997,100, amounting to a
15 difference in our favor of £833,660, of which I shall briefly explain the causes.

The receipts, omitting the net railway traffic receipts, were estimated in the budget at £49,479,585, they are now estimated at £51,048,900, showing a difference in our favor of £1,569,315. Of this increase the
20 main item is £1,074,519, under the head of opium. The improvement of the opium receipts arises from the price of Bengal opium having been, on the average of the year, Rs. 1,121-8, or £112-3s., per chest, instead of Rs. 975, or £97-10s., per chest, as was first estimated; also from the quantity of Malwa opium having been 38,742 chests instead of 33,600,
25 as was first estimated.

In my last exposition, I gave to this Council the reasons why the opium estimates had been cautiously framed, namely, the actual fall and the further downward tendency of prices on the Bengal side and the indifferent prospects of the drug on the Bombay side. The out-turn of
30 the crops on both sides of India has proved, however, even better than was expected; and, throughout the year, the advices from China have been favorable. The improvement of the Indian opium trade in China must, of course, have had its causes, which causes may be connected with the condition of the indigenous culture of the drug in China itself; but
35 what exactly those causes are, I hesitate to state to this Council. I may have my opinion and conjectures, but I really do not know, and I have not heard of any one who does know. Those nearest to the spot and best qualified to judge have not as yet been able to explain satisfactorily. All I can say now, therefore, is that we are carefully watching every indica-
40 tion afforded by each fact in detail as it becomes known. But I must add that assuredly, at the commencement of the year, when the last budget was prepared, we had no right whatever to reckon on the improvement which has occurred, and no sign or fact whatever to reasonably indicate that it would occur. Therefore this stroke of fortune does not,
45 in the least, shake my conviction as to the prudence and propriety of the moderate estimate which was made. Nor does it at all encourage me to relax the watchfulness and caution necessary in framing the opium estimates for the coming year.

Recently we have published a resumé of all the official information
50 possessed by us regarding the growth of opium in China. The facts 1871-72.]

therein shown regarding the quantity and quality of the Chinese drug fully bear out what I stated in my exposition of last year, to the effect that the Indian opium trade with China is threatened with a serious competition. It appears that the culture of the poppy in China expanded in the years 1866 and 1867, and that the produce obtained in the summer of 1868 was abundant, and was nearly as good in the summer of 1869. After that, reports reached us of injuries to and failures in the Chinese produce of the summer of 1870. These were corroborated by the subsequent rise in the price of the Chinese drug. Now is there any connexion, and if so, what, between these circumstances in China and the recent rise or fall of prices of the Indian drug? I really cannot answer these questions. There may be no such close or direct influence exercised by the Chinese upon the Indian drug. It may be said that the two drugs are consumed by different classes in China. The Indian prices must be affected by the increased supply from India itself; also speculation forms an important element in the case; and our experience of Chinese opium, on any considerable scale, is as yet but short, while the information obtainable from the interior of China is often tardy and uncertain.

There remain some items of increase on which the Council may desire a word of explanation. There is an increase of £92,508 under land revenue. This is due to a considerable improvement in Madras, apparently from the realization of arrears outstanding from previous years of drought.

The increase of £141,500 in customs has accrued at the ports of Calcutta, British Burma and Madras, and not at all at the port of Bombay. This increase may perhaps surprise those who are not practically acquainted with the import trade. The major part of that trade, namely, the European piece goods, has not, despite large importations, been altogether flourishing, inasmuch as the sale of these important goods for the markets in the interior has not been so favorable to importers as we might have wished. It is feared that the improvement in customs is partly due to over-importation which again may be in some respects connected with the abnormal condition of the European markets during this very eventful year. We may regret that the increase of the revenue does not yet indicate a corresponding improvement in trade. But the fact that such large quantities of goods have been taken (though at somewhat low prices) is an index of the prosperous condition of the people at this moment, and affords hope for the future progress of the trade.

The £72,600 of increase in excise arises in Northern India and Madras; the harvests having been good or abundant.

The increase of £144,510 in the post office is almost wholly nominal, owing to the fuller exhibition of the charges made against the various departments of the administration for official postage.

The increase of £289,226 in miscellaneous receipts arises from a large item (£93,497) of assets of the ameen's fund at Bombay, long held in suspense, being credited to Government; from the current adjustments from the balances of the military and medical funds being larger than was anticipated; and from an arrear adjustment from these balances. The circumstances under which the assets and liabilities of these funds were transferred to the State and the principle upon which the charges of each year are adjusted, were expounded in my last financial statement.

The increase of £166,775 in army receipts is owing to general augmentation under a variety of heads, such as sale of stores, malt liquor, and the like.

On the other hand, there are some instances of diminution in receipts:
 5 One important item of decrease is that of £105,000 under the head of assessed taxes. This means that the $3\frac{1}{2}$ per cent. income tax, together with some arrears of the preceding year, was estimated to yield £2,180,000, and is now estimated to yield £2,075,000. The falling off chiefly arises from the circumstances of several of the tax-paying classes
 10 in Bengal, Bombay, and Madras having been less favorable, owing to the state of trade, than was expected. When the losses in trade are remembered—when it is also remembered that the more exact assessments under the new law and under the high rate, were sure to be favorable to the tax-payers, and that the enhancement of a direct tax of this sort is sure to be
 15 met with a certain degree of passive resistance, I think that the out-turn of the tax for the year promises to be satisfactory, and to prove creditable to the several local Governments. We have constantly observed all the complaints that have been made regarding the assessment or the realization of the impost, and we have done all we could to prevent any just cause of
 20 complaint arising. We cannot venture to hope that no such cause has arisen anywhere, knowing indeed that in such a country as this, regrettable circumstances may occur without coming to light. But it is noteworthy that on a circular being addressed by us to the several local Governments in India, enquiring whether there were any known cases
 25 of oppression or over-exaction, we received replies from all of them (except the Government of Bengal) to the effect that no such cases were known. The Government of Bengal indeed did transmit a resumé of some thirteen cases; this number is of course a matter for much regret, though relatively it is not large.

30 Salt again shows a decrease of £72,870, which is, however, more than counterbalanced by a decrease in the charges of £82,519. Less salt has been manufactured and sold than was expected, under the special arrangements at the Sambhur lake in Rajpootana.

Another item of decrease is that of £107,670 in the Mint receipts.
 35 Very little bullion has during the year been presented for coinage, owing to the unfavorable state of the exchanges.

A further item of decrease to be noticed is that of £129,280 in the forest receipts. This arises from the consumption of timber by the railways having been less than was expected. The circumstance
 40 proceeds really from the State railway works not having been so vigorously prosecuted as was intended. There is, from the same cause, a diminution of outlay (£51,540) under the head of forests.

There are other small differences, some more, others less, which can be seen in the general sheet, but which I need not now stop to
 45 explain. The net result is an income of upwards of fifty-one million pounds sterling, (£51,048,900), exclusive of net railway traffic receipts, which amount, if compared with corresponding amounts of previous years, transcends them all, and represents the largest revenue ever yet raised in British India.

50 Turn we now to the ordinary expenditure of the year. That was estimated in the budget at £49,316,145; it is now estimated at 1871-72.]

£50,051,800, showing a difference against us of £735,655. The causes of this difference also I shall explain.

There is an increase of £31,498 under interest on miscellaneous accounts by reason of the decision to allow interest on deposits of the Indus Flotilla; of £51,890 under opium by reason of the crop of 1870 5 proving larger than was expected, and of extending cultivation; of £45,917 under post office by reason of arrear payments in England on account of the mail service; of £14,325 under political agencies by reason of the postponement from last year to this year of a pay- 10 ment in England for the embassy to China; of £82,647 under super- annuation and retired allowances, corresponding with an increase under miscellaneous receipts which I have already explained, and arising from the payments to the pensioners of the late military and medical funds proving larger than was estimated.

These are all minor items of increase. But there are three major 15 items on which I must bestow a few moments. They occur under the heads of miscellaneous, of army, and of railways.

The heavy increase of £414,908 in the miscellaneous heading arises chiefly from what is technically termed loss by exchange. This is calculated on an assumed, though not an actual, basis of two shillings to 20 the rupee. We are under the obligation of providing annually a large sum in England in pounds sterling for the payments in that country on account of the Government of India. This provision is principally effected by the sale in London of bills drawn by the Secretary of State on the exchequer in India. The amount originally intended to be 25 drawn by the Secretary of State during the year was $9\frac{1}{2}$ millions sterling. The amount actually supplied during the year in England will be 9 millions, although with outstanding bills of past years we shall have to pay $9\frac{1}{2}$ millions (£9,525,000) in India. Judging by the best information at our command, we estimated that the Secretary of 30 State's bills would be sold at an average rate throughout the year of 1s. 11 $\frac{1}{4}$ d. for the rupee, which would have involved on $9\frac{1}{2}$ millions sterling, a loss by exchange of a little more than £300,000, which was the sum provided. This of course was only a forecast of a matter on which foreknowledge was impossible. The actual supply of funds to 35 the Secretary of State, including the specie remittances to be presently referred to, has been effected at an average rate of only a little better than 1s. 10 $\frac{1}{2}$ d. for the rupee, involving a loss by exchange of £600,000. In other words, we hoped to pay only 3.16 per cent. on the basis of 40 the assumed par, for providing the money for discharging our obligations; in fact, however, we have had to pay 6.67 per cent. Judging by all past experience, we deemed our estimate moderate. But the great events in Europe have disturbed exchanges and caused this mis- fortune to us, which could not have been foreseen.

As part of the 9 millions sterling supplied during the year, we 45 had, last August, to ship in specie from India to England about 62 lakhs of rupees (Rs. 62,10,688) or £620,000. We were informed by the Secretary of State that his bills on India were, for the moment, un- saleable in London. It therefore became immediately necessary for us to remit specie wherewith to provide the means of discharging our 50 current obligations in England. This was accordingly done with the

requisite despatch. The produce in England of these remittances was £571,812, or only a little above 1s.-10d. (1s.-10-09d.) per rupee; but the indirect effect of the operation upon the exchanges is believed to have been favorable.

- 5 A new item will be perceived in the regular estimate which was not entered at all in the budget, namely, that of allotments for provincial services, £200,000. This entry appears for the first time. It relates to the scheme set forth in our resolution of December last, entrusting to local Governments increased financial control in certain
- 10 departments, the provisions of which scheme I shall presently re-capitulate. In order that the local Governments may be able to inaugurate this plan successfully, and to have, as it were, a fair start, it is found most desirable to give them a special allotment of funds to begin with in addition to the regular allotment they will receive year by year for
- 15 the next and subsequent years. The regular annual allotments have been made on the basis of the budget grants for 1870-71. In fact, however, there have been savings effected in the current year on these grants aggregating, for all India, perhaps £200,000, though the precise sum cannot be stated with certainty. Under all the circumstances,
- 20 inasmuch as the savings have been effected in the current year, we have decided to make the special allotment from the resources of this year; and to fix the amount at £200,000, to be distributed rateably among the local Governments,—an arrangement which will, we hope, prove satisfactory to them.
- 25 The increase of £554,659 under the head of army has arisen partly in England and partly in India. The increase in England amounts to £361,859 and in India to £192,800. The increase in England is in overland transport charges; in furlough allowances; and for breech-loading arms. The overland transport system is a new one which is
- 30 gradually developing itself, and of which it may be difficult in England to estimate accurately the cost beforehand. The increase of furlough allowances arises entirely from officers now drawing pay in England under the new system, who would under the old system have drawn larger allowances on duty in India. For the increased charge on account of
- 35 the new breech-loading arms, the Government of India willingly takes the responsibility, having made urgent indents therefor.

- The increase in India is due to the adjustment this year of a large sum on account of the charges for the overland troop transports defrayed in past years in India, which we had been led to suppose had been in-
- 40 cluded in the home accounts. But for this arrear adjustment, the net charge for the army in India, which is even now only £72,735 more than the estimate, would have been less than was originally estimated by about £300,000. This is specially satisfactory in connection with the fact that the budget estimate for expenditure in India was for a large
- 45 reduction over the preceding year.

- The third item of increase is that of £319,517 under guaranteed interest on railway capital less net traffic receipts. This arises from the net traffic receipts having fallen off; they were estimated at £2,848,470; they are now estimated at £2,530,700. This diminution again does not
- 50 arise from working expenses having proved greater, but from traffic earnings having proved less, than the anticipation.

So much for the increases. On the other hand there is a long list of diminutions arising partly from estimates having been prudently framed, partly from savings having been effected; these range at amounts from £500 to £100,000, and occur under the heads of interest, refunds, land revenue, forests, excise, assessed taxes, customs, mint, tele- 5 graph, administrations, minor departments, law and justice, police, marine, education, ecclesiastical, stationery and printing, and allowances under treaties. If this series of savings shall be sustained by the actual account, the result will be very satisfactory. The normal ordinary expenditure for public works has been kept well within budget limits. To 10 this has been added an assignment of £40,000, to the trustees of the Indian Museum for the completion of the building: it was found necessary to make this grant for this important public structure, in order to fulfil, as nearly as practicable under the circumstances, the obligation imposed upon us by Act XVII of 1866, to complete the Museum build- 15 ing by the 23rd of the present month of March 1871.

The saving of £141,710 under railways is chiefly due to delay in taking up land for the Oudh and Rohilkhund line.

So much for the ordinary expenditure. Before quitting the current year's account, however, I must just advert to the extraordinary expendi- 20 ture. For this £3,062,300, or 3 millions, were estimated to be spent, but only £1,146,800, or about 1½ million, has been actually disbursed. The difference is largely accounted for by the unavoidable delay in prosecuting the State railway works, by reason of the pending questions relating to the gauge best suited for adoption. These questions having 25 now been decided, we may hope to see the works more rapidly proceeded with. The extraordinary added to the ordinary expenditure makes up a total of £51,198,600, or 51½ millions.

Such are the figures for the current year 1870-71, so far as they are yet known; the estimate being based on the actual figures of ten 30 months for all, and of eleven months for a few, of the main heads of income, of ten months for all branches of civil expenditure, and of nine months for the Army and the Public Works Department. I must, however, remind the Council of what has been stated in former expositions, to the effect that the figures of the regular esti- 35 mate are liable to modification by reason of the facts which may come out in the course of the remaining two or three months. These months are in themselves financially very important months, and in March the whole accounts of the year are completed and adjusted. The accounts of the year 1870-71 cannot be even approximately closed for 40 nearly six months to come, so that, although we have omitted no precaution to obtain the best forecast now possible, we must not be surprised if the final result of the year differs considerably even from the revised estimate now presented.

The main result now apparent is that as regards income and ordi- 45 nary expenditure, the budget estimate showed a small surplus of one-sixth of a million, and that the regular estimate shows a considerable surplus of a million. On the one hand it is observable that this satisfactory surplus is wholly due to the unlooked-for rise in opium; and that without this piece of good fortune on the receipt side, we should, apart from the 50

special assignments for the Museum and for provincial services, have had a little less than the surplus of £163,440 originally estimated. On the other hand it is equally observable that on the expenditure side there has been a piece of ill fortune, namely, the heavy loss by exchange, produced
5 by great events beyond the reach of ordinary calculation. Thus, if the argument of fortune be pressed upon us, I should reply that if there has been an extraordinary increment of a million on the receipt side, there has been also an extraordinary increment on the expenditure side; and that if the one point be set against the other, there would still be a surplus in
10 our favor of more than half a million, that is, a surplus somewhat above that which was originally estimated: in fact, just the amount of surplus which is necessary for safe and sound finance and no more. This perhaps is the fairest light in which to regard the situation at this moment. And certainly, if these two items be excluded, the general conformity
15 of the regular estimate with the budget is highly satisfactory, both as regards receipts and expenditure, and more especially as regards expenditure, which in India has been kept well within bounds.

But in regard to the (perhaps unfortunately) cardinal importance of the opium revenue to our general finance, let us for a moment consider
20 what would have been the situation had the opium increase of £1,074,519 not accrued. Why, the consequence would have been that, apart from the exceptional allotments of £200,000 to the Local Governments wherewith to begin the provincial service scheme, and of £40,000 to the trustees of the Indian Museum, I should have to-day shown a surplus of £162,581,
25 or almost exactly the sum originally estimated, *viz.*, £163,440. And this circumstance does, to my mind, prove conclusively the justice and necessity of the financial measures proposed in my last exposition and subsequently adopted by this Council for the current year.

When I say this, the mind of the Council will revert to the
30 enhancement in the rate of the income tax. I apprehend that in some quarters it will be held that the present anticipation of a considerable surplus proves that the increased rate of income tax was, after all, not necessary. But I cannot, in the least degree, admit such an argument.

I have just explained that by one way of viewing the extraordinary
35 circumstances of the year (which is the more favorable view for such an argument), we should only have had a moderate surplus, nearly the lowest amount compatible with safety and efficiency. By the other way of viewing the case (which is probably the more correct way), we should, without the opium increase, have had just the small surplus originally
40 estimated. Therefore the argument, to my apprehension, turns on this question,—was the opium estimate in the budget a fair and prudent one, according to the knowledge available at the time? Has anything since transpired which may reasonably prove that estimate to have been too low under the circumstances wherein it was made? If that estimate was fair
45 and prudent, then there is no ground whatever for impugning the justice and necessity of the enhanced income tax. When I say this, however, I by no means mean to admit that the justification of the income tax solely or even mainly rests on the opium estimate. For, even without this consideration, there are various and manifold reasons in justification.
50 of that measure.

But I consider that if the opium estimate be proved to have been reasonable, then any attack on the *financial* necessity of the enhanced income tax for the year must inevitably fail. I here advert to financial necessity, without at this moment adverting to political or other considerations. Now, what were the circumstances under which the opium estimate was framed? Let me remind the Council of the reasons adduced in my last exposition. It was then shown that there had been a heavy fall in the price of Bengal opium; that, for a whole year, the decline had been almost regular and constant; that the tendency was still downwards; that a mass of information had been received from 10 China indicating that the Indian drug would be subjected more and more to disadvantageous competition; that every practical authority whom we had been able to consult, both in China and India, considered that nothing but decline could be anticipated. I affirm that when our Bengal estimate was produced, it was considered not at all too low, but quite 15 high enough in non-official circles, where practical knowledge is in this respect most available. Indeed the most sanguine estimate suggested to us by any one was only £122,500 in excess of that which we actually adopted. As regards the Malwa opium, the facts were almost as unfavorable. Our estimate, though realized in the end, had been a constant 20 source of anxiety through the year. The local authorities had been constantly warning us of expected deficiency. The then prospects of the crop were not propitious. On a retrospect of the whole case, I am quite convinced that no higher, indeed no other, estimate could have been properly framed than that which was framed. And that being so, I have 25 only to reiterate all the arguments adduced in my last exposition, to the effect that without the income tax at the $3\frac{1}{2}$ per cent. rate, we must have produced a budget with a large deficit; and that therefore the imposition of that tax was a matter of financial necessity at that time.

As regards the surplus above shown for the current year, we must 30 remember that it is only anticipated as probable, and not yet actually realized. It may even yet fail us more or less. But if it shall be fully sustained by the ultimate event, it will be most gratifying, and will occur indeed not at all before it is needed! In my former expositions I have shown that, although since the establishment of our financial 35 system, the course of our finances has been certainly in many respects, and perhaps on the whole, satisfactory, still deficit has been too frequent, and surplus too rare. Of late years, especially, while curtailing our ordinary expenditure, we have been incurring, and preparing to incur, a liberal and extraordinary outlay in improving our great national estate, 40 for which purpose the national debt is being added to. Now, if ever, then, is the time to secure a surplus of income over ordinary expenditure. Now is the season to prove, if we can, that we possess the determination and the means for keeping our income slightly in excess of our ordinary expenditure. We had scarcely dared to hope indeed that so good a 45 result would be obtained within this very year, even after all the exertions that have been made. If it be obtained however, as now seems probable, then the circumstance will afford cause for nothing save congratulation; and we need never regret the efforts which have been made and the sacrifices which have been undergone.

But the existence of surplus for now two consecutive years, though not at all disturbing the reasons for the strong measures which have been adopted, does yet afford reasons for some relaxation of these measures in the coming year. And this remark appropriately brings me to the 5 third part of my subject, namely, the budget for the year 1871-72 shortly to commence.

Before entering into details, I must however draw the attention of this Council and of all others interested in our finance to an important modification in the form of the statement for the year 1871-72. This 10 modification has been made in order to give effect to the financial resolution by the Government of India of the 14th December last. It will be remembered that by that resolution, an increased degree of control financially was accorded to the several local Governments in India, in certain civil branches,—to wit, jails, registration, police, education, medical 15 services, printing, roads other than military, and civil buildings. We hope that this concession will give the local Governments an additional interest in the study and the enforcement of economy in expenditure; will afford them a just inducement to supplement their local receipts from time to time by methods either most acceptable to the people, or least 20 fraught with popular objection; will cause a more complete understanding to arise between the executive authorities and the tax-paying classes respecting the development of fiscal resources; will teach the people to take a practical share in provincial finance, and lead them up gradually towards a degree of local self-government; and will thus conduce to 25 administrative as well as financial improvement. The hopes which I am expressing, however sanguinely or confidently entertained, are, after all, but hopes, and, like all other hopes, may or may not be fairly realized. But let all this eventuate as it may, sure I am, with certainty free from shade of doubt, that the measure is advantageous to the imperial budget 30 of British India. For it will have the direct effect of definitely limiting, for the present, the expenditure from the general exchequer on certain important branches of civil expenditure, the very branches indeed where, from the progressive spirit of the age, the demands for increased outlay have most arisen, and would most arise, and in which, from the nature 35 of the case, the supreme central authority is least able to check the requirements of the local authorities.

We have indeed, at the outset, inaugurated the measure by reducing the aggregate expenditure under these heads by one-third of a million (£331,038)* below the budget grant of 1870-71. This is *per se*, some- 40 thing appreciable of course. But greater far financially is the advantage of setting some definite bounds to the constant growth and expansion of imperial outlay on these branches, of which the use and importance, though great indeed, are yet local rather than imperial. The more we consider the constant increases of late years in these particular headings; 45 the difficulty which the Supreme Government has in resisting demands

* The reduction appears, *prima facie*, to be £350,000, but the share which would have fallen upon Burma (£18,962) has been restored, so that, after rounding the figures, 50 the net retrenchment from all the local Governments aggregates only £331,038.
1871-72.]

which have so much inherent excellence to recommend them ; the desire which we all naturally feel to co-operate so far as possible in meeting such reasonable requirements ; and yet the impossibility of meeting them unless local income can be legitimately and equitably augmented ; the more do we perceive the importance of the financial principle (irres- 5
pectively of administrative and general considerations) embodied in the resolution of December last.

And the principle is in this wise. The local Governments are to have a fixed annual allotment from the general exchequer for these particular services, and are to appropriate as local income all receipts connected therewith. They are to regulate (subject to certain general rules) all the expenditure on those services. If the existing income, namely, imperial allotment, plus departmental receipts, shall suffice for the requirements of that expenditure, then that is well. If it shall not suffice, then the local Governments are not to apply to the Government of India 15
for increased grants. They must raise what they need by local taxation, or by such like means (subject to our central control) if they fairly can. But if they find that they cannot fairly manage this, then they must necessarily do without the increased expenditure. However much the necessity for doing without the increase may be regretted, there is no 20
help for it. This is the only way of following the good old rule of cutting coat according to cloth. However important progress and improvement may be, financial safety is more important still.

I have seen it stated in some quarters that this new measure, by limiting the aggregate allotment for certain services, tends to deprive 25
the local Governments of any benefit that may arise from increase of the revenue, and to secure all such benefit for the Supreme Government exclusively. I need hardly say that any such allegation is based on misapprehension ; as if the Supreme Government had any separate domains or estates or appanages of its own, in which the local Governments 30
had no particular concern ! The Supreme Government has no interest separate from the interest of India generally, or from the aggregate of the interests of the several local Governments. The new measure, after all, deals with a part, and that a small part (about one-sixth) of the total civil expenditure. There still remains by far the greater part of 35
this expenditure under the central control, including such branches as law and justice, the fiscal departments and the départements of general administration, as before, for all which expenditure grants are made to the local Governments. If the revenues increase, there will be benefit to these branches, whether it be in the enhancement of pay, in the expan- 40
sion of departments, or in new outlay, all which benefits will be felt directly by the local Governments. If it be hereafter possible to increase the grant for public works ordinary, to whom will the increase be allotted ? Why, to the local Governments. If it be found practicable to pay more and more interest on loans for public works extraordinary, in what 45
territories will these works be executed ? Why, in the territories under the local Governments.

The Council will perceive that the total amount of allotments for provincial services, as just defined, for all the local Governments together, is set down in the expenditure side of the budget for the coming year at 50
£4,799,300, or $4\frac{3}{4}$ millions, which amount I shall explain further present-

ly. Meanwhile I may observe that the total sum allotted for provincial services is thus distributed:—

5				Receipts surrendered.	Assigned from Imperials Funds.	TOTAL.
				£	£	£
	India	...	...	9,800	26,700	36,500
	Oudh	...	...	14,700	211,300	226,000
	Central Provinces	...	...	24,000	269,600	293,600
	Burmah	...	...	28,600	276,500	305,100
10	Bengal	...	...	264,800	1,197,900	1,462,700
	North-Western Provinces	...	...	110,000	635,000	745,000
	Punjab	...	...	67,400	528,800	596,200
	Madras	...	...	81,800	752,300	834,100
	Bombay	...	...	55,300	901,200	956,500
15		TOTAL	...	656,400	4,799,300	5,455,700

The item opposite to "India" in the above list is for the Calcutta University and for provincial services (not including public works) in Coorg, Ajmír, and other districts of which the administration is immediately under the Supreme Government. The figures differ somewhat from those appended to the resolution of the 14th December, owing to the more complete transfer of the charge for Medical Services than was then proposed; to the inclusion in provincial services of the expenditure for petty construction and repairs in all departments excepting opium and salt; to the promised additions to the grants in respect to the more stringent system of official postage; and to certain minor corrections of the figures.

The Statement which I have given just now presents the total allotment to each local Government for all the services specified. Within this limit each local Government may (subject to the general conditions under which the additional control is confided to it) distribute the amount among the several services, making transfers, if necessary, from one to the other.

These allotments have been fixed on the basis of the budget grants for 1870-71 (after the deduction of the £331,038 rateably distributed). The objections which might be urged in detail against this mode of fixing the allotments have not indeed been overlooked. But certainly, any other method that could be devised would have stirred up controversies and difficulties which might never be determined, and which would have caused an indefinite postponement of the whole measure.

If it were urged, too, that the grants for 1870-71, having been very economically fixed, afford too low a standard for future allotments, we should reply that these grants were really as much as we could possibly afford, and that we are not likely to be able to afford more for some time to come.

In addition to these allotments, the local Governments will have the special assignment of £200,000, already explained, to begin with.

I have stated that the regulation of the expenditure in these branches is to be confided to the local Governments, subject to certain general conditions. The effect of those conditions is briefly this, that, 1871-72.]

without the previous consent of the Government of India, no new appointment above a salary of Rs. 250 per mensem is to be created, nor old salaries raised beyond that amount; that no class or grade of officers is to be created or abolished, and the pay of no class or grade of offices is to be raised; that no addition or alteration is to be made, as regards pay and allowances, in the provincial departments of any province which might lead to inconvenience in the imperial departments or in other provinces.

The principle of these conditions is that, whatever be the degree of control conceded to the local Governments as regards amount of expenditure and strength of establishments and the like, the regulation of salaries, of rates of pay, even the lowest, of allowances and pecuniary privileges, must remain with the Supreme Government. Strictness in this respect is essential. Connected by the interchange of information as the several provinces of India necessarily are, whatever affects the interests of the public servants and establishments in one province, becomes known in all the others. If anything be conceded in one place, applications for similar concessions are sure to be made from other places in a manner difficult to be resisted. If pay be raised in one department, expectations of similar augmentation are apt to be created in other departments. This consideration becomes of special moment when certain departments hitherto imperial become local, while other departments continue imperial. Not indeed that uniformity of pay and allowances is necessary for all departments and all establishments alike: nor even that such uniformity is essential for the same department, for instance police or education, all over India. There may, indeed must, be variations in the several parts of India as regards system and organization; there will also be differences in prices, in values, and in such like matters; and these circumstances will lead to differences in rates of remuneration; all which the Government of India has always acknowledged and allowed for. Still the check of the Central Government is indispensable to prevent these differences from becoming excessive and leading to financial embarrassment. It is clear then that in making these concessions to the local Governments, we have not parted with any of those powers which are needed for the preservation of financial order throughout India.

I have stated that we have made over to the local Governments the receipts arising in these particular departments. These consist in the jail department, of the proceeds of prison manufactures and the like; in the police department, of payments by municipalities and railway companies, sale of old stores, and so on; in education, of school fees, sale of books, &c.; and in registration, of the fee proceeds. These several receipts which have been previously included in our imperial sheet are excluded from the budget I now present, and transferred to the category of local funds: they will hereafter be accounted for in the provincial statements. The aggregate is indeed considerable, and amounts to nearly $\frac{2}{3}$ of a million. They are, however, in their nature local, and are analogous to the funds which have been always held local, and excluded from the imperial account. They are essentially different from the imperial heads of revenue and receipt. When they are assigned to the local Governments, there is no deviation from the principles which

have always governed our finances, to the effect that all heads of state revenue are held as imperial. No attempt has been made to assign to those Governments any branch of the revenues, as that would be a matter attended with difficulties into which I need not now enter. It
 5 was intended that an abstract of the estimates of the local Governments on account of provincial services should be presented to the Council with the imperial figures. This will be done in future; but it has been found possible to prepare it this year.

Before quitting this topic, however, I would venture to repeat what
 10 I stated before this Council in the budget debate of last year, namely, that too much must not, at the outset, be expected from the local Governments in consequence of any measure of this kind. After all, those Governments will have no golden road open to them which is not
 15 already open to them in a considerable degree at least. To secure financial benefit, either they must reduce expenditure or improve existing receipts, or impose new taxation. Now, as regards reduction of expenditure and improvement of existing receipts, they doubtless do
 20 already make constant efforts in both these directions. It remains to be seen whether they can put forth more efforts. As regards new taxation, they may do more in that way, but great caution will have to be exercised.

How the several local Governments will deal with their respective shares in the retrenchment of £331,038 from the grants of 1871-72, and how they will provide whatever additional sums may be required
 25 for the finance of the services now entrusted to them, is more than I can say at present. It is, however, clear that they have to some extent already made up, or are making up, their quotas of the retrenchment by savings and reductions of expenditure,—a method, in my opinion, the most satisfactory of all. It would be premature to state the precise
 30 amount of such savings; but, on the figures now before me, I make out, as already said, that the said savings will probably amount in 1870-71 to £200,000, and there seems no reason why the expenditure for 1870-71 should not at least suffice for 1871-72. There will, however, be some fresh local taxation, more or less, in many parts of the country.
 35 In the Madras Presidency, as the Council knows, bills for municipal and local taxation were, a few days ago, unanimously passed by the local legislature. In the Bombay Presidency the matter is still under consideration. In Bengal proper, the final decision of the Government of India, approved, after full discussion, by the Secretary of State,
 40 has been communicated to the Lieutenant Governor, to the effect that land and other property are to be rated for the support of roads and education. The local Government is still in communication with the Government of India as to the best way of carrying out this decision. In the North-West Provinces, the Punjab, and Oudh, the local Govern-
 45 ments have matured plans for provincial imposts, and bills to carry out these plans will be immediately submitted to this Council.

The Government of India has certainly borne in mind, and we believe that the local Governments also remember, the necessity of caution and moderation in the levy of provincial taxes. We have been, and are,
 50 most averse to the imposition of any new taxation that can be avoided. It was this consideration that induced us to lower the retrenchment to 1871-72.]

£331,038. Our demand at first stood much higher; we reduced it in order that the burdens of the people might be abated, and that the local Governments might be spared the necessity of imposing any but the lightest, and most manifestly equitable, provincial taxes.

I now proceed to the figures of the budget for 1871-72.

5

The receipts are taken at £49,098,900, or 49 millions, as compared with the 51 millions of the year just about to close. The amounts taken for the main heads of receipt, namely, land revenue, excise, customs, salt, stamps, closely follow the regular estimate for the current year. A moderate improvement is anticipated under land revenue, salt and stamps. 10 Considering the favorable out-turn of the customs for the current year, which is quite as much as, or even more than, we could have expected, we have not ventured to estimate a further increase for the coming year.

As regards the state of the foreign trade of India, generally, I stated in my last exposition that 1869-70 (speaking on returns for eight 15 months) would prove to be a year of retrogression after several years of satisfactory progression. The result has shown a decrease of 5 per cent. in value as compared with the preceding year. This reduction is, however, mainly due to a reduction in the tariff valuation, so that on the whole the real decrease was but slight. The total value of the trade 20 is taken at 100½ millions sterling. For the current year 1870-71 there may be some improvement. The condition of the principal import, *viz.*, piece goods, has been already noticed. Among the exports, jute (fibre) continues to flourish, the yield of the last crop having been abundant. Last year there were 3,361,852 or 3¼ millions of cwts. exported; in the 25 current year the export will be greater. The cotton export of 1869-70 amounted to 1¼ million of bales, (equal to 555 millions of lbs.), being less than that of the preceding year. There seems likely to be as yet a further falling off this year 1870-71 of this staple in quantity, though not in value. We bear in mind the consequences, so important to India, 30 likely to arise from the revived and increased production of the article in the United States of America. In 1869-70 there were 12¾ millions of lbs. of tea exported from India; this year the quantity will be somewhat less. Last year there were 36 millions of lbs. of coffee exported; this year the quantity will be greater. Last year 98,000 cwts. of indigo 35 were exported; this year the quantity will be about the same. There are now eight months' returns in the current year available. Judging from them, we are led to anticipate that the foreign trade of the country will rise to more than 100 millions sterling in value. As regards goods, indeed there is a clear increase both in exports and imports; but there is 40 a marked falling off in treasure. Last year 14 millions sterling of treasure were imported. This year only 4 millions were imported in the first eight months.

We have not overlooked a subject adverted to in my last exposition, namely, the remission of the export duty on Indian and Burmese rice. 45 But, considering that there has been, all through the current year, an improvement in this branch of trade, and an increase in the yield of the duties, we are not prepared, under present financial circumstances, to propose any change.

The opium estimate is taken at a little more than the amount which 50 we are receiving for the current year, or just over 8 millions gross.

- The current year has indeed, as already seen, been in this respect prosperous beyond expectation. We hope that the circumstances of the time warrant us in anticipating a fair amount of prosperity for the coming year. The advices from China are favorable on the whole.
- 5 The prices in both the Indian and Chinese markets are, despite fluctuations, fairly satisfactory. For Bengal, we are not able yet to announce the exact number of chests that we expect to sell, but we have 41,042* chests actually secure in our warehouses. The precise number of chests which we shall sell in 1871-72, in addition to the
- 10 above stock, depends upon the number of chests which we may resolve to offer for sale in the calendar year 1872, which again depends upon the out-turn of the crop now about to be gathered. At the last moment, I regret to say that the weather in the opium-growing districts of the Bengal Presidency is reported to have been of late somewhat unfavorable
- 15 to the ripening crop. The area under cultivation this year is, however, larger than that cultivated last year, and we entertain hopes that the produce may at any rate not be less than last year's crop (54,072 chests provision opium). For the chests that we may sell in 1871-72, we have assumed an average price of Rs. 1,075, or £107-10s. per chest. The
- 20 average price per chest in 1870-71 has been Rs. 1,120-8 (£112-1s.) per chest. The latest sale has produced Rs. 1,169 (£116-18s) per chest. On this very important point, the estimate seems to be prudent, and leaves a margin for fluctuations not now foreseen. For Malwa the duty being fixed (Rs. 600 a chest), the real point for forecast is the number of chests
- 25 likely to be exported. The number in 1869-70 was 39,371 chests; that in 1870-71 will be probably 38,742 chests. We have estimated for 1871-72 as many as will bring the total number of chests (Bengal and Malwa) to 90,000,—no doubt a full number, quite up to the average of recent years. But the prospects of the present crop in Malwa are
- 30 reported to us by telegraph to be up to yesterday excellent; we are selling this year a much larger provision of Bengal opium than we sold last year; and if the quantity be taken at a full estimate, still the price assumed for Bengal is apparently a moderate one. As a whole, the estimate will, I hope, be considered moderate.
- 35 The increase (£113,900) in the forests estimate allows for increased consumption of timber in the construction of the State Railways, partly counterbalanced by increase of expenditure (£65,100) on the other side of the statement.
- The increase (£19,400) in telegraph rises from improved receipts
- 40 on the Indo-European line *via* Persia and Russia, which has been working with marked efficiency throughout the year. The recent increase in the tariff of both this and the sub-marine line is to be regretted, but I fear that it will be found to have been absolutely necessary to render the continuance of the two alternative lines (so
- 45 desirable for securing our communications) financially possible. At present the Indo-European line appears to be outstripping its rival in the Red Sea.

The low estimate of mint receipts is owing to the state of exchanges, which may, we fear, not recover sufficiently for much bullion to be

50 * This figure was found afterwards to be erroneous: the correct figure is 39,938.

presented for coinage. Our mints are unfortunately at present in a condition of enforced inaction.

A diminution is shown in the estimate for miscellaneous receipts, because we do not expect any such arrear adjustments as those whereby this item is swollen in the current year.

5

The items of decrease under the heads of law and justice, police, and education arise from the transfer of the receipts of jails, registration, police, and education to local funds in the manner I have already described to-day. All the items transferred amount to a total of £656,400.

The Post Office shows a decrease of £29,500, the receipts this year 10 having been unduly swollen owing to some misunderstanding by the civil departments of the Post Office rules. The receipts might have been, by this time, greater perhaps than they are, had it not been for the concession to the public of carrying half a tola in weight, instead of a quarter tola, for half an ~~anna~~ postage. The change, however, has not 15 caused any actual loss of revenue. This result is, of course, owing to increased number of letters. Two years ago I stated the number of covers of all kinds annually received by the Post Office in India at 70 millions. It has now grown to nearly 95 millions.

In respect to the telegraph receipts, I may observe that the reduced 20 rate of one rupee for a message of ten words to any part of India has worked so far successfully as to cause an increase already of more than 50 per cent. in private telegrams; but it has not yet caused such an expansion of telegraphic communication as to bring about a financial success. The total number of messages despatched in India by the Gov- 25 ernment Telegraph and by the Railway Telegraph for the public does not exceed 700,000 annually, a number which is very small for so large a country as this.

The head of assessed taxes I shall reserve for separate notice here- 30 after. The Council will perceive that it shows a decrease of £1,475,000.

It will hence be apparent that the budget estimate of receipts compares favorably with the regular estimate of the current year. If the receipts now transferred to the local Governments had remained as before, and if the assessed taxes had been retained at the same rate, then the total for the year, instead of being £49,098,900, would have been 35 £51,230,300, or 51½ millions,—as high a figure as has ever been presented. The diminution then in the present total does not indicate any diminution whatever in our real resources.

I now come to the ordinary expenditure of the year. This is estimated at £49,005,500, or just 49 millions, showing a reduction of 40 £1,046,300, or one million below the estimated expenditure of the current year. This result is, *prima facie*, satisfactory. There are several important points in the figures, however, which I must briefly notice. Before doing so, I will clear off some of the lesser points.

In the first place, it will be observed that there are various small 45 increases under headings relating to the collection of the revenue, namely, land revenue (£120,500), forests (£65,100), excise (£21,400), salt (£46,200), opium (£37,900), which do not arise from any permanent accession to establishments or such like expenditure, but from temporary measures leading directly to a pecuniary return, as, in land revenue, for 50 re-assessments; in forests, for bringing additional timber to market;

in salt, for expenses at the Sambhur Lake; in opium, for extension of cultivation; and so on.

We do indeed always accede to well considered applications for grants for re-assessment of the land revenue, an operation which generally, though not always, leads to increase of income. Our notice has been attracted to the apparently slow progress, despite considerable outlay, in the re-assessment of the land revenue in the Punjab, a delay which seems prejudicial to the fiscal interests. This is a matter peculiarly within the province of the local Government; the point however has our attention.

The increase (£95,200) shown under stamps and stationery is due to the exhibition of the charge for stationery for the first time under this head. The increase of £74,200 under administration is chiefly owing to the transfer of the charge for the printing establishments of the Supreme Government to this head. It is not thought expedient to maintain a separate head of stationery and printing for this item and for the cost of stationery alone. Provision has also been made for the contemplated Department in the Government of India for revenue, agriculture, and commerce, the creation of which is not expected to add ultimately more than £2,000 to the cost of the establishments of the Supreme Government.

The decrease shown under the heads of law and justice (£535,300), of police (£2,269,500), of education (£606,200), of medical services (£334,800), of printing (£284,100), of public works ordinary (£1,575,600) arises from the charges for these services being in whole or in part transferred, under the arrangement I have to-day described, from these several heads to the new head of allotments for provincial services, which head appears for the first time in our statement. The services of police and education having been transferred wholly, disappear from our statement. The heading of stationery and printing also disappears; printing becoming henceforward almost wholly a provincial service, and stationery being transferred, as above explained, to stamps. The headings of law and justice, of medical services, and of public works have been only partially transferred. The decrease shown under law and justice relates only to jails and registration; that under medical services to those establishments pertaining to civil stations, to dispensaries, and to sanitation, which are immediately under the local Governments; and that under public works to roads other than military, and civil buildings, with their due proportion of establishments.

The decrease under miscellaneous is due chiefly to our being able, in consideration of peace happily restored in Europe within the last few days, to estimate for a rather more favorable rate of exchange than we have had to meet this year. The rate we have taken is 1s. 10½d. for the rupee, giving, upon a supply of 9 millions sterling, a nominal loss of £494,500.

We have not found it convenient to arrange for proceeding with the general census of India at present.

The increase of £76,200 for interest relates to the loan provisions for the two years, which I shall notice separately hereafter.

The new head of allotments for provincial services (£4,799,300) comprises the imperial assignments made, upon the basis of the grants 1871-72.]

of 1870-71, to the several local Governments in India for jails, registration, police, education, medical services, printing, roads and civil buildings; and their connected establishments, less the amount of provincial receipts under these heads, which receipts have been surrendered to the local Governments.

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The expenditure for the army is set down at £15,984,000, showing a decrease of £316,000. Of this decrease, £270,000 occurs in India and £75,500 in England; in fact it for the most part occurs in India, and mainly for this reason, that no outstanding amounts such as have had to be charged in the current year for the overland transports are expected in the coming year.

In my last financial exposition I stated what had been done regarding military reductions. I added that our recommendations for reductions in the artillery and the Native army were under the consideration of Her Majesty's Government in England. During the current year, progress has been made with both these important questions, which necessarily involve doubtful or controversial points. After discussion we have submitted our final proposals. We now estimate a saving of nearly £70,000 by a reduction of five batteries of horse artillery and three garrison batteries. But in this as in other cases the reductions are so managed as to cause no diminution in effective strength of European soldiers. Under all the circumstances, we have felt justified moreover in estimating a reduction of £100,000 in the expenditure on the Native army for the coming year. On the other hand we have been obliged to allow increases for camps of exercise, for military instruction, and for the manufacture of ammunition. On the whole, the amount estimated in India for 1871-72, namely, £12,410,000, is the lowest amount that has been taken for any year since the war of the mutinies.

Though the military charges in England do not show a further increase in the coming year, their growth of late years has not escaped our notice. It has occurred under the heads of overland transports, of furlough allowances, and of stores. The increase in furlough allowances in England, arising from officers drawing furlough pay more than heretofore in England instead of in India, is mainly apparent, being counterbalanced by decrease in India. The increase in stores is for the new breech-loading arms, and is so far not to be regretted, the importance of the arms being too manifest to require explanation. The only item which causes anxiety is the overland transport service, which, however advantageous, does seem likely to cause a permanent augmentation to our expenditure. Attention is being given to the matter. I may add that the important head of retired allowances does not at present show any increase. Whether it is, or is not, likely to increase in future, is a question on which we have submitted our views to Her Majesty's Government in England.

The expenditure proposed for public works ordinary amounts to £2,365,000, or 2½ millions. In my last financial statement I explained the reasons why the grant for this branch, once so large, had been reduced to 4 millions. It is now nominally brought down to 2½ millions by the transfer of 1½ million to provincial services, as already explained to-day. There have been also some further retrenchments from the grants. For the laying out of the 1½ million annually, the several

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local Governments will in future answer. The $2\frac{1}{2}$ millions now remaining under the general control of the Government of India consist of—

		£
5	Military	1,012,500
	Civil Buildings	150,700
	Roads and Communications	115,900
	Miscellaneous Public Improvements	25,600
	Agricultural	454,900
	Establishment and Tools and Plant	605,400
10	TOTAL	<u>2,365,000</u>

These important grants manifestly stand very low,—lower indeed than they have been for years past, and almost as low as can reasonably be expected. The grant for military buildings includes the completion of those new double-storied barracks which had been commenced. In my statement made in March 1869, I went, at some length, into the subject of these barracks. Since then the execution of the scheme has been somewhat delayed from several reasons. It was found that in some places the existing accommodation for the troops was sufficiently good to allow of the new buildings being postponed at a time of financial exigency. There are plans for placing an increased proportion of the troops at hill stations, to some slight extent reducing the need of accommodation in the plains. In some respects, too, there arose doubts as to the suitableness of the designs of the new structures. The expenditure therefore on new barracks has been comparatively small (£401,558) during the current year, and will be only £436,533 during the coming year. I need hardly add, however, that the important subject of providing the best obtainable accommodation for the European troops is one which has our constant attention.

The item of establishment, already reduced, may perhaps alone admit of further reduction.

I gather that it has been supposed by some that public works expenditure has been maintained unduly high of late. But the Council can judge whether any such supposition could be supported by these figures. Surely no one will be found to say that the $1\frac{1}{2}$ million allotted to the local Governments is too much. And as regards the $2\frac{1}{2}$ millions remaining under the Government of India, surely no one can justly say that the amount is not moderate, considering the several services and the various provinces in which those services occur.

The net amount which the country will have to pay to the Railway Companies on account of guaranteed interest is set down for the coming year at £1,856,900, or upwards of $1\frac{3}{4}$ million; about the same amount as that which is being paid during the current year. These amounts are no doubt formidable and are the heaviest ever yet presented in our statements. The steady accretion year by year of these payments does indeed afford matter for reflection. The main cause is the growth of our gross guaranteed interest. On the one hand, this gross amount grows yearly in England; last year, 1869-70, for instance, it was £4,176,008; next year it will amount to £4,638,600, an increment of nearly half a million within two years. On the 31st March last the total capital outlay stood at $83\frac{1}{2}$ millions (£83,444,147) out of a total 1871-72.]

capital subscribed of $86\frac{1}{2}$ millions (£86,522,491); on the 31st December it stood at $86\frac{1}{2}$ (£86,525,000), the total amount subscribed being $89\frac{1}{2}$ millions (£89,460,000). We have now nearly 5,000 miles of guaranteed railways open, besides 1,000 miles sanctioned or under construction. On the other hand, the set-off in India, namely, that of the net traffic receipts, does not grow at a corresponding rate; just now indeed it is hardly growing at all. Last year it amounted to £2,628,944; this year we seem likely to receive only £2,530,700, and next year we expect £2,781,700. It seems to be not so much that the working expenses are unreasonable after allowing for new lengths of line opened—though no doubt there is room for economy;—it is rather that the traffic, especially the goods traffic, has not of late been so flourishing as we might have hoped, considering the increased length of open lines. Last year the gross traffic earnings amounted to £6,204,943; this year they amount to £6,551,700. For next year they are set down at seven millions (£7,006,000). In my exposition of 1869 I put down the quantity of goods carried at three millions of tons annually and the number of passenger journeys at 16 millions. At the present time the annual tonnage may be set down at $3\frac{1}{2}$ millions and the passenger journeys at $17\frac{1}{2}$ millions; showing no considerable increase of late, and leaving an immense way for our traffic to make up before it will bear any favorable comparison either with the size and population of India itself, or with the results obtained from railway communication in other countries.

Nor has any great progress been made of late by the guaranteed lines towards providing for the 5 per cent. interest on capital, and towards discharging the debt due by them to the State. According to the figures of the regular estimate, the East Indian Railway is paying, upon the capital actually expended to the 31st December 1870, 4·8 per cent. per annum, the Eastern Bengal 3·1, the Great Indian Peninsula 2·7, the Bombay, Baroda, and Central India 2·4, the Madras Railway 2·2, the Great Southern of India 1·4, and the Jubbulpore extension only 1·2 per cent. The railways in India as a whole are thus, at present, paying less than 3 per cent. During the last five years the increase of earnings, whether gross or net, has been in the Bengal Presidency rather than in the Madras and Bombay Presidencies. The East Indian Railway and the Eastern Bengal line alone show any large increase. The other lines have remained comparatively stationary in this respect during this period.

So long as the construction of additional lengths of railway is going on, the capital accounts, as a whole, necessarily increase, and with them the gross guaranteed interest charge. For a reduction in the net charge on this account we must look to increased traffic receipts; but, as just explained, these have not of late kept pace with the growth of the gross charge. It is the more essential, therefore, that as the several undertakings are completed, or approach completion,—and many of them are now in this state,—the further expansion of the capital accounts should be strictly watched and controlled. Strenuous endeavours have been made in this direction for long past, and orders have issued quite recently for the making up of the capital accounts of the several Companies. Rules have also been pres-

cribed for a closer review of the objects for which capital outlay shall in future be incurred on open lines, and a money limit has been fixed within which all outlay on individual works shall be charged to revenue. A provision like this will, it may be hoped, result in the necessity of every work being jealously scrutinized by each party to the contract, and the constant accretion of the capital accounts by the frequent admission of small items of charge will thus be checked.

During the year by special arrangements made by the Secretary of State with three of the guaranteed railways (Great Indian Peninsula, Bombay and Baroda, and Madras), their debt to the State has been cancelled, and the right of the State to purchase the lines at the first optional period waived, on the condition that the Government shall, during the remainder of the terms of the contracts, receive half of any net traffic earnings in excess of 5 per cent. The East Indian Railway did not assent to this arrangement, and the offer will not, I believe, be repeated to them or extended to the other lines.

I must here ask leave, in reference to public works generally, to bear testimony (in which testimony your Lordship and this Council will doubtless concur) to the very valuable co-operation afforded to the financial administration by Colonel Richard Strachey, the Secretary in the Public Works Department, and now a member of this Legislative Council. Of late years the reduction of expenditure has been greater in the Public Works Department than in any other. However much this reduction is to be regretted, it certainly has been financially necessary; and I cannot testify too strongly to the able and the judicious efforts made by Colonel Strachey in this direction, without which efforts these important financial results would have been impossible.

It may be interesting to note the result of the English expenditure (ordinary) shown separately in one of the accompanying statements. In the regular estimate for 1870-71 it is set down at £8,302,900, and in the budget for 1871-72 at £8,124,800, showing a decrease of £178,100, and this notwithstanding an avoidable increase of £80,200 of interest on money to be borrowed. Thus, although there have been increases during 1870-71, which I have for the most part explained to-day, there is no further increase in the budget for 1871-72.

Before leaving the subject of ordinary expenditure, for the reduction of which we have striven so hard, I shall quote a passage from a despatch received by us from the Secretary of State in August last, which runs thus:—

“Upon a consideration, generally, of your estimates of income and expenditure, I am satisfied that you have laboured earnestly to effect every reduction which can be carried into effect without impairing the efficiency of the several departments of Government.”

So much, then, for the various items of ordinary expenditure. Besides the ordinary expenditure as above explained, there is proposed an expenditure for public works extraordinary of £3,626,000, or upwards of $3\frac{1}{2}$ millions, to be provided for from borrowed funds; bringing up the total expenditure, ordinary and extraordinary, to £52,631,500, or $52\frac{3}{4}$ millions. Whether the full amount of $3\frac{1}{2}$ millions will be really laid out during the coming year, is more than I can say, considering that it has never yet been found possible in any year to 1871-72.]

spend the amount proposed for these works. The works in question are irrigation projects in the Punjab, North-Western Provinces, Oudh, Behar, and Orissa, and State Railways in the Punjab and Rajpootana. The careful enquiry needed for these difficult irrigation projects, and the necessity of providing for adequate returns in water-rent, may account 5 for much delay in breaking ground. The gauge question having been at length settled, we may hope to soon see a vigorous commencement with the State Railway works, some of which are urgently needed to cheapen the supply of salt for the people.

The new gauge determined after much consideration by the Gov- 10 ernment of India is that of 3 feet 3 inches, or 1 metre, which is narrow as compared with the existing gauge in India of 5 feet 6 inches. I cannot here enter into this moot question. I shall only observe that the adoption of the comparatively narrow gauge will, in our belief, cause a large saving both in original outlay and in subsequent working charges. 15 The importance of this consideration will be manifest from the facts I have mentioned to-day, regarding the growth of net interest charges for the existing railways. Doubtless the further extension of the railway system in the continent and peninsula of India is most desirable. But unless the work can be done more cheaply or made more profitable than 20 heretofore, the country cannot afford to pay for such extension. That is the plain fact which renders economy in construction and management of railways so important as to weigh heavily even against considerations of efficiency.

Such, then, are the figures for 1871-72. On a comparison of income 25 with ordinary expenditure, the result is an equilibrium, supported by a small surplus of £93,400,—a margin which is indeed almost too low for the requirements of the public service.

I must now ask the Council to revert to the item of assessed taxes on the receipt side of the budget for 1871-72. This is set down at 30 £600,000, which, as compared with the £2,075,000 of the current year 1870-71, shows a reduction in this taxation of £1,475,000. This is obtained by lowering the rate of assessment from 6 pies in the rupee, or $3\frac{1}{2}$ per cent., to 2 pies in the rupee, or a fraction over 1 per cent., and by raising the minimum income liable to assessment from 500 rupees to 35 750 rupees; in other words, by exempting incomes below 750 rupees. The one per cent. income tax which we retain is manifestly indispensable, inasmuch as without it we should have to produce a budget with a deficit, which is an alternative not to be adopted so long as any legitimate or reasonable resource may remain to us. 40

Still it may be remembered that we now propose to reduce the income tax to the lowest rate at which it has ever been levied in India, and indeed the lowest at which it could be levied, if retained at all. The proposed rate is equivalent to $2\frac{1}{2}$ d. in the pound. The rate of the income tax of 1860 was 4 per cent., or $9\frac{1}{2}$ d. in the pound; subsequently 45 reduced to 2 per cent., or $4\frac{3}{4}$ d. in the pound; the rate for the income tax of 1869-70 was, on the whole year, $1\frac{1}{2}$ per cent., or $3\frac{1}{2}$ d. in the pound; that for 1871 was $3\frac{1}{8}$, or $7\frac{1}{2}$ d. in the pound.

It is indeed a source of satisfaction to us to find ourselves able to provide for the requirements of the year with so low a rate of income 50 tax, and to afford so considerable a measure of relief to the tax-paying classes of all degrees in British India.

More particularly are we gratified at being able to exempt all incomes below Rs. 750; the effect of this will be to altogether relieve about 240,000 persons heretofore taxed. The total number assessed to the existing income tax is about 480,000; under the now proposed tax the number will be reduced to about 240,000, which really forms a very small proportion (1 in 625, or say 1 in 120 heads of families), out of a population of 150 millions. It was in respect to the small incomes below Rs. 750 that complaints of over-assessment or exaction, or other vexation, have mainly arisen. We have been impressed by the statements made regarding the pressure of the tax, and its concomitants, upon these small incomes; troubles which, we fear, in such a country as India are practically difficult of remedy, though of course no effort has been spared for prevention or for cure. While the rate remained low as in 1867-68 and 1868-69, these complaints were not perceptible at all, or were much less rife; and no doubt this year the inherent difficulties of the case were aggravated by the increased rate. Whether they would, or would not, be essentially mitigated by reduction of the rate, may be a question. At all events, by the exemption of the lowest class of incomes altogether, we hope that some at least of the most salient points of objection will be effectually removed, and that the sacrifice of revenue caused by the exemption (some £150,000 at one per cent.) will not be found considerable.

It may be borne in mind that in 1860, and subsequent years, the tax reached down to incomes of Rs. 200; subsequently it was remitted on incomes below Rs. 500. The license tax of 1867 reached down to incomes of Rs. 200. The certificate tax of 1868 reached only to incomes of Rs. 500. These were both virtually rough income taxes. The 500 rupees limit was observed in the income taxes of 1869-70 and 1870-71. Thus it is clear that from time to time the policy has been to extend the exemption more and more among the poorer of the classes liable to assessment. And now we propose a further exemption beyond, which it is difficult to go, if the tax be retained at all.

I have, therefore, to propose on behalf of the Government of India an income tax of two pies in the rupee, or a fraction above one per cent., and to request leave to introduce a bill into this Council for that purpose. The bill, if it shall pass into law, will replace the existing Income Tax Act, which expires on the 31st of this month (March). We have endeavoured in the bill to amend such of the provisions of the present law as have appeared to operate with occasional harshness, or to cause particular dissatisfaction. We do not propose to enact it for any particular period or to fix any limit of duration.

From this explanation of the revenue and charges of the year, I pass on to the provision of ways and means and to the cash balance account.

We expected to commence the current year 1870-71 with a cash balance of 13½ millions (£13,644,859) and to close it with a balance of 10½ millions (£10,569,443). On closing the account, however, finally for the previous year, we found an actual cash balance at the commencement of the current year of nearly 14 millions, (£13,940,451), which improvement was due to the actual account of the previous year turning out more favorable than the regular estimate. We expect that the current year after its close will leave us a cash balance of 16 millions, [1871-72.]

or £16,012,051, being $5\frac{1}{2}$ millions (£5,442,608) better than the first estimate (£10,569,443). Throughout the year, the cash balances all over India have been very high, higher than they have been for some eight years past. (Their lowest point was $10\frac{3}{4}$ millions in October). This circumstance is to some extent satisfactory, and calculated to raise confidence in our finance. Still there are special, perhaps adventitious, reasons why we stand so well in this respect, and even so much better than we expected at the time of my last exposition. These reasons are, firstly, that the opening balance of the year was actually higher than the estimate by £295,592; secondly, that we have spent $1\frac{1}{2}$ million on public works extraordinary instead of 3 millions, as I have already explained to-day; thirdly, that we have paid in India altogether $\frac{1}{2}$ a million less on Secretary of State's bills than we expected; fourthly, that the amount of capital advanced to the railway companies for the construction of the lines has been less by nearly $1\frac{1}{2}$ million (£1,404,200) than was expected; fifthly, that owing to unexpected accession of opium revenue, the ordinary finance of the year has been bettered by a million, as I have also explained to-day. These reasons, with some few changes in the remittance heads, fully account for the improved condition of the cash balances and for the difference between the original and the present estimate.

As might be expected under all these circumstances, our public credit, as proved by the prices of Government stocks, has, on the whole, been higher during the current year than it has ever stood before. Our four per cent. stocks in India have commanded prices of 96, 97, and even 98, for every hundred rupees. In England the Secretary of State's four per cent. sterling paper has been sold at a small premium. In my last statement I noticed the gradual decline in the value of our 5 and $5\frac{1}{2}$ per cent. stocks by reason of the limited period for which our loans at those rates of interest have currency. The decline has continued during the current year for the same reason. That our stocks bearing the higher rates of interest should decline in value, while those bearing the lower rates are rising, is manifestly a most satisfactory circumstance. It may be interesting to mention here that the amount of our rupee debt (that is, the securities of the Government of India enfaced for payment of interest in England by bills upon India) held at home, grew during the year from £15,839,832 to £17,797,622, or by nearly two millions sterling. This is no doubt due to the adverse rates of exchange.

I have now to advert to the loan arrangements for 1871-72. There will, as might be expected, be some borrowing, inasmuch as I have already stated that $3\frac{1}{2}$ millions are proposed to be spent on public works extraordinary during the coming year.

In my last statement I explained that at the commencement of the current year we had in hand $1\frac{1}{2}$ million due by the loan department to the public works according to the account as then made up. The Secretary of State then intended to raise, by the end of 1870-71, two millions more; he has actually raised $3\frac{1}{2}$. As the Council knows, we have raised nothing in India, save a quarter of a million lent by Maharaja Holkar for a state railway in His Highness' territories. These several sums make up $5\frac{1}{4}$ millions. Against this we have expended in the year (as already seen) $1\frac{1}{2}$ million on public works extraordinary, which, deducted from the $5\frac{1}{4}$, leaves 4 millions in hand, for which the loan department

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has to account to the public works department. To that balance, however, there is a set-off of £1,105,247 advances to municipalities and the like, to which I shall immediately refer. The actual estimated balance in hand on this account at the end of 1870-71 is about 2½ millions 5 (£2,591,438). Moreover, although our own transactions will result in the reduction of our debt by a small amount (£139,800), the Secretary of State has intimated his intention of borrowing 2½ millions during the coming year, repaying only £5,000, so that we shall add to our debt during the year altogether £2,355,200. This amount, added to the 10 balance just shown, provides more than enough for the 3½ millions of proposed extraordinary expenditure. There is, therefore, neither need nor justification for the raising of any loan in India at present.

It is from these loan funds that we have been able to advance various sums to municipalities for reproductive works on good security for 15 payment of the interest and repayment of the principal. The amount of advances of this nature made or brought to account since the beginning of 1869-70 is net £1,105,247. It is, of course, practically impossible for municipalities to effect any large improvements without raising funds by borrowing. If they must borrow, it is far better that they should 20 borrow from the Treasury rather than in the open market, for the plain reason that the Treasury can afford to lend on more favorable terms, and also because our financial control over these transactions is thereby promoted. Legal doubts, however, arose as to the competency of municipalities to contract obligations of this description. Therefore a law 25 has been introduced into this Council to enable them to do this, and to render valid the proceedings they may take towards this end under proper sanction. These remarks are irrespective of the debentures issued by certain municipalities, such as that of Calcutta, under a special law.

If extensive disbursements shall hereafter be made under the law 30 before this Council for facilitating advances of money by Government for permanent works of agricultural improvement, the money will be disbursed from the loan funds also.

I must here draw attention to the fast-growing interest on account of these borrowings. In 1869-70 this system was fairly begun; since 35 then 7½ millions (£7,479,099) have been borrowed and 2½ more (£2,355,700) are now to be borrowed, in all 10 millions (£9,974,099); of which 3¾ millions (£3,782,411) have been spent on public works extraordinary, and 3½ (£3,626,000) are now set down to be expended; in all 7½ (£7,408,411) millions; besides which a million (£1,105,247) 40 has been advanced as I have above shown. The annual interest on the total sum thus borrowed amounts to more than £450,000 annually; on the total sum expended, or to be immediately expended, it amounts to £350,000. It is hoped that the yearly increase of the item now separately shown as irrigation income will prove more and more a 45 set-off; and that when the state railways shall be opened, there will be a further set-off in that direction. The more complete exhibition of all the income derived by the state from its canal works has occupied, and is still occupying, the attention of the Government of India, and some important points of legislation connected therewith have been 50 brought under the consideration of this Council.

The entire registered debt of India (exclusive of £6,299,700 East India Stock, for the redemption of which a guarantee fund is accumulating 1871-72.]

under the provisions of Cap. 85, III and IV William IVth) is expected to amount at the end of 1871-72 to £106 $\frac{3}{4}$ millions (£106,853,400), of which £67,089,500 will have been borrowed in India and £39,765,700* in England. The interest estimated to be paid in 1871-72, exclusive of the dividends on the East India Stock, is £4,742,000, being 4.44, 5 or less than 4 $\frac{1}{2}$ per cent. upon the whole registered debt.

We duly bear in mind the amounts of the loans bearing interest at 5 per cent., repayable during the coming year. But I cannot yet state the intentions of the Government of India in regard thereto.

After the loan provisions which I have just explained, it remains to 10 see how the cash balances will stand for the coming year 1871-72. In my last exposition before this Council, I described the improvements made in the form of the estimate of the cash balances. It will be remembered that this great account comprises a variety of important items besides the regular income and expenditure of the Government, inasmuch 15 as the Indian exchequer performs a vast amount of business in addition to the receiving of the Government revenues and the disbursing of the Government expenses. The general nature of this business I have described in previous expositions.

I will first set forth the result of the figures on both sides of the 20 account in India, exclusive of England.

The receipt side then is as follows:—

Commencing the year with an estimated cash balance, as already seen, of 16 millions, and a Government income of 49 millions, we expect, besides, 6 $\frac{1}{2}$ millions of railway traffic receipts, 17 $\frac{3}{4}$ millions of 25 advances recovered and deposits repayable, including local funds; and 1 $\frac{1}{2}$ million on the remittance or suspense account between England and India; making with some other smaller items and transfer entries in all 91 $\frac{3}{4}$ millions (£91,871,051). On the payment side, besides the ordinary expenditure of 39 millions and the extraordinary of 3 $\frac{1}{2}$ millions, 30 we have 3 $\frac{1}{2}$ millions railway working expenses, 18 $\frac{1}{2}$ millions of advances recoverable and deposits repaid, 9 millions to be paid on bills of exchange drawn in England by the Secretary of State; and 1 $\frac{3}{4}$ million to be disbursed for construction of railways in India by the guaranteed Companies, making, with some transfer and account entries, a total 35 of £76,749,800, or 76 $\frac{3}{4}$ millions. This total deducted from the 91 $\frac{3}{4}$ millions shown on the receipt side leaves us an estimated cash balance of 15 millions (£15,121,251) on the 31st March 1872, being the close of the coming year 1871-72.

There is also the cash account kept by the Secretary of State in 40 London on account of India. For the coming year 1871-72 the receipt side is in this wise. The opening cash balances will be 2 millions; the amount received on bills of exchange drawn on India will be 9 millions; there will be 4 $\frac{3}{4}$ millions of railway capital subscribed, and there will be 2 $\frac{1}{2}$ millions borrowed. These, with some smaller items, make up 45 a total of 18 $\frac{1}{2}$ millions. On the payment side there will be a regular expenditure, ordinary and extraordinary, in England on account of India, of 13 millions (£13,114,300); there will be 1 $\frac{1}{2}$ million paid on the remittance account, and there will be 2 millions withdrawals of railway

* This figure was found afterwards to be erroneous: the correct figure is £39,763,900.

capital. These items deducted from the 18½ millions on the receipt side leave a closing balance of 2½ millions.

- The aggregate of estimated receipts and payments in India and England for the year, as I have shown above, stands at 110½ millions (5 £110,295,334) on each side of the account. I have not attempted to do more than give a sketch of this really vast account, the complete development of which would weary the Council. But even this outline will convey some idea of the dimensions to which the transactions of the Indian exchequer have grown.
- 10 I have said that in the deposit receipts are included the local funds, the expenditure from those funds being shown in deposit payments. A new and interesting character will now attach to these funds. They have heretofore, as the Council knows, included the road fund, ferry fund, pound fund, educational cesses, police cesses, profits of prison labour, hospital funds, port and harbour funds, municipal octroi fees under 15 special Acts, and so on. To these there are now added the £656,400 already described to-day, being the receipts of the departments of jails, registration, education, and police, transferred from the imperial sheet. The total thus made up for 1871-72 amounts to £4,028,473, or 4 millions 20 for all India. There will also be added the proceeds of the new local taxes that may be imposed by the local Governments; so the heading will shortly show an augmentation, and may probably grow year by year. Each local Government will in future exhibit a sheet of its income and its expenditure under this head; and in this statement there will be 25 combined the income and expenditure under the new allotments for provincial services described to-day, amounting to 4½ millions; so that the local budgets under the new measure will deal with an aggregate income of nearly 9 millions to start with.

- Before finally quitting the finances of the year, I must ask 30 leave to notice certain remarks which have been made, and indeed reiterated, regarding the accounts of the Home treasury of the Government of India which are kept in England. It has been said that the expenditure in England on account of India is incurred without sufficient reference to the authorities in India, and that the detailed accounts of it are 35 not made known in India. Now, I showed in my last exposition that by far the greatest part of that expenditure is really incurred either under rules proposed by the Government of India, or upon requisitions made by the Government of India. So far we ourselves must accept a very large share of the responsibility. There are some exceptions to 40 this; but they are not considerable. So much for the expenditure. No doubt the accounts of that expenditure are kept under the direct orders of the Secretary of State for India. But they are rendered to us, month by month, with the greatest regularity and the fullest detail. We again publish the account annually with all its details in the *Gazette* 45 of India, and have usually done so for years past; the publication taking place in the summer. In short, the information before the public in India regarding the expenditure in England is as full as that regarding any portion of the public expenditure whatever.

- I may add one word about the Indian accounts. The entire ap- 50 proximate actual accounts for the year 1869-70, ending 31st March 1870, were published on the 3rd September 1870; that is, in five months 1871-72.]

after the completion of the year. The regular estimate for the year 1870-71 is produced to-day early in the eleventh month of the year, comprising more than ten months' actual figures for all the revenues and for all the civil expenditure, and nine months for the remainder. Now, considering that we have to deal with accounts from eight local Govern- 5
ments, from twelve imperial departments, and 225 treasuries—all scattered at great distances—I think that these facts show a high degree of promptitude and discipline in the Account Department throughout British India.

After this exposition of the prospects of 1871-72 it remains to 10
notice very briefly several measures which have been adopted in connexion with finance.

In my statements made in March 1869 and April 1870, when noticing the success of the three presidency savings banks, I stated that measures were being devised for the ramification of these institutions 15
throughout the interior of the country. During the current year, these measures, after long discussion, were introduced in the several divisions of the Bengal Presidency. The number of new banks already opened is 49; the total deposits on the latest dates for which we have returns amount to Rs. 1,20,693, or £12,069; and the number of depositors is 20
925. The deposits will doubtless increase from time to time, the present result being only a commencement. This is of course in addition to the Presidency Savings Bank at Calcutta, which now has £291,640 of deposits and 7,464 depositors. We have not yet opened district savings banks under that name in the Madras and Bombay Presidencies, 25
but practically they do exist in every district under those Governments, as the Government Savings Banks in both Presidencies extend their benefits to all depositors without the restriction which was placed upon such institutions in Bengal where Government servants only were permitted to open deposit accounts. The Government Savings Banks 30
in the Presidencies of Madras and Bombay are very freely resorted to. The present number of depositors in the Madras banks is 7,189, and in those of Bombay 15,679; the aggregate amount deposited in the Madras banks is £187,727, and in the Bombay banks £441,137. But the figures in both Presidencies are believed to include the deposits of 35
the native army. The system in these Presidencies may perhaps eventually be assimilated to that now introduced in the rest of India. The total of deposits in the savings banks of all kinds in the three Presidencies now stands at £932,573, and the number of depositors amounts to 31,257. This is exclusive of regimental savings banks in Bengal, 40
the deposits in which amount to £76,000. These figures show an increase of nearly 40 per cent. since I first drew the attention of this Council to the subject two years ago. That the increase may be progressive year by year is much to be wished.

In my last statement I adverted to the measure then before this 45
Council for increasing the proportion of the paper currency reserve to be invested in Government securities, and for raising the limit from four millions to six; adding that the operation, if authorized by law, would in practice be kept cautiously tentative. The bill has since passed 50
into law, but we have not yet, under the circumstances of the currency, seen fit to avail ourselves of the power which has been taken. We

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rather prefer for the present to keep our specie reserve large and full, in order that we may have the means of facilitating the encashment of the notes, of whatever circle, at all the principal treasuries throughout the country. Arrangements of this kind appear even more than ever
 5 desirable, since we have (within the current year) obtained power by law from this Council to issue notes of five rupees, a lower denomination than has ever yet been tried in India. I have so recently explained in detail to this Council the arguments in favor of the five-rupee note; the conditions under which the offices of the interior circles of India
 10 are to cash notes of all other circles; the arrangements for cashing notes at the ordinary treasuries in the districts in the interior; and the general state of our paper circulation and our reserves,—that I need not advert further to the subject now, beyond stating that the average weekly circulation of 1869-70 has proved to have exceeded $10\frac{1}{2}$ millions
 15 (£10,630,473), a slight increase over any previous year; that the circulation of the current year does not promise to be equally favorable, the estimated average circulation appearing not likely to exceed 10 millions; and that the reserve consists of $6\frac{3}{4}$ millions (£6,846,106) in specie, and $3\frac{1}{4}$ millions (£3,227,200) in Government securities; the
 20 specie reserve being manifestly strong.

The money order system in India is successfully making good its ground. During the past year 1869-70, orders were issued to the amount of 116 lakhs of rupees, or a little above a million sterling. It is matter of regret that we have not yet been able to establish a similar
 25 system between India and England, but difficulties arising out of the fluctuations of exchange have hitherto prevented this. We still hope that these difficulties may be overcome.

I am still unable to report any marked result from the notification of November 1868, whereby it was announced that the sovereign would
 30 be taken at the Government treasuries as an equivalent for ten rupees and four annas instead of ten rupees as before. The value of a sovereign having exceeded Rs. 10-4 throughout the year, no sovereigns have been received at the General Treasury, and scarcely any by the Currency Department. The importation of gold into India during the
 35 year 1870-71 is expected to amount to only between 2 and 3 millions against £5,690,400 of the preceding year. Gold has been tendered by the public at our mints for coinage into Indian gold pieces to the value of only £4,775. These operations have been of course much affected by the state of the exchanges so greatly militating against the presentation
 40 of bullion for coinage. During the year we have, after much unavoidable delay, obtained from England the requisite mechanical appliances for coining gold pieces of ten and five rupees (in addition to the fifteen-rupee pieces previously coined) under the existing law. A few of these smaller pieces have been coined by the Government, and may be
 45 considered to represent the Indian sovereign and half sovereign. I hope that this measure may help to pave the way for the future introduction of a gold currency into India.

Such, then, is the exposition which I have this day to offer. The main points have been—
 50 that for 1869-70, instead of an anticipated deficit of £625,594, there has been an actual surplus of £118,668;

that for 1870-71 the surplus estimated in the budget at £163,440 is now estimated at £997,100, or 1 million;

that this surplus is really due to an unlooked for accession of opium revenue;

that without this accession of opium revenue there would have been 5 little more than an equilibrium between income and ordinary expenditure;

that for 1871-72 there is estimated a small surplus of income over ordinary expenditure of £93,400;

that this estimate is arrived at after a large abatement of the 10 income tax: the lowest incomes assessable, namely, those between Rs. 750 and 500, being exempted altogether, and the rates for all classes being lowered from $3\frac{1}{2}$ to a fraction above 1 per cent.;

that this change in the income tax causes a reduction of $1\frac{1}{2}$ million of direct taxation; 15

that the exemption of incomes between 750 and 500 rupees reduces the total number of persons assessed, 480,000, by fully one-half, and releases 240,000 tax-payers;

that the ordinary expenditure for the coming year shows a decrease of one million of expenditure as compared with the current year; 20

that, subject to certain conditions, an increased financial control has been entrusted to the several local Governments in respect of jails, registration, police, education, medical services, printing, roads other than military, and civil buildings;

that the grants by the general treasury for these services have been 25 reduced by £331,038, and that a fixed limit is imposed on the imperial expenditure on these departments;

that for these provincial services throughout India, allotments have been made of $4\frac{3}{4}$ millions distributed among the various local Govern- 30 ments;

that apart from the allotments made to the local Governments under these provincial services for roads and buildings, the ordinary public works grant in India has been brought down to $2\frac{1}{2}$ millions;

that $3\frac{1}{2}$ millions have been raised by loan in England since my last statement was made, while only a little above one million has been 35 expended on public works extraordinary;

that $3\frac{1}{2}$ millions are proposed to be spent on public works extraordinary during the coming year 1871-72; $2\frac{1}{2}$ millions being provided for by loan;

that owing to the improvements in the account of the income and 40 ordinary expenditure of Government, and the temporary diminution of expenditure on public works extraordinary and on construction of the guaranteed railways, the cash balances in India are very high, and that no loan is proposed in this country;

that during the current year various measures relating to finance 45 have been carried out, such as the coinage of ten-rupee and five-rupee gold pieces; the legalization of a five-rupee note in the paper currency; the introduction of district savings banks in the interior of the country.

I must now conclude my exposition. If it be found (as I fear it will) meagre and imperfect in many respects, still I hope the Council 50

will remember that my subject is really too varied and extensive to be fully treated in all its particulars within the limits of the patience of my hearers. At all events, within these necessary limits, I have striven to compress as many facts and considerations as possible.

5 In 1869 I spoke of flourishing revenue and growing commerce. In 1870 the burden of my story was diminished income and depressed trade. In 1871, however, I have now once more to tell of national prosperity, of abundant harvests, of rising income, of falling expenditure, of improved public credit. In two successive expositions (1869 and
10 1870) I have had to lament the existence of deficit. But on this occasion, in my third exposition, the picture is at last relieved by the prospect of surplus. The Council knows what strenuous exertions have been made to obtain equilibrium and even surplus. Those efforts seem at this moment likely to be attended with even more success than we at
15 first ventured to hope for.

In 1869 I affirmed that the Government of India had aimed at a financial policy to be at once safe, sound, and just. Since then, two years of trial and labour have passed; and I affirm once more that the same principles have been strictly observed, notwithstanding that the
20 observance caused much trouble and difficulty.

We have maintained a strict distinction as to what expenditure shall, and what shall not, be considered extraordinary to be provided for by loan. All expenditure, however beneficial, not yielding a direct pecuniary return has been classed as ordinary expenditure. We have
25 resolved that, so far as may be possible, the whole of the ordinary expenditure of each year shall be defrayed from the revenues of that year. We have jealously guarded against everything that might tend to shift the burden of these just charges from the present to the future. We have steadily refrained from providing by loan for any branch of ordinary
30 expenditure or for any public work not yielding a direct pecuniary return. We have even refused to entertain proposals for temporary or terminable loans for such purposes. In preference to any such course, the alternative of enhancing the existing taxation has been adopted. But that taxation has been so adjusted as to fall rather on the richer than
35 the poorer classes of this country. Though the revenue has been augmented, yet no fresh burden whatever has been imposed on any branch of trade or of industry; no new imperial tax has been introduced; no fiscal innovation has been applied to British India generally. In so far as any fresh tax may be needed in any part of India, the disposition
40 has been to rely on local rather than imperial arrangements.

Retrenchments in both the civil and the military branches of expenditure in India have been made. To afford further relief, the expenditure on ordinary public works has been cut down by more than one-third. Strict economy in details has been enforced by the Govern-
45 ment of India and by the local Governments. The better enforcement of economy was one of the reasons for investing the local Governments with increased financial control in several departments. That measure also has been commenced by a further reduction of one-third of a million of expenditure.

50 On the other hand, liberality has been shown in the provision by loan for public works of an extraordinary and reproductive character.
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But this operation has been so far guarded financially, in that the interest on the borrowed capital is charged against ordinary revenues.

Though carefully weighing all that can be urged against any part of this policy, we have not been, and are not, persuaded, by any consideration whatever, to depart or deviate from it as a whole. We are 5 still prepared to persevere, and to make any effort that can fairly and reasonably be made to act up to these principles; though we are glad to be enabled by improved circumstances to propose for the coming year a relaxation of some of the stringent measures which, to our regret, had become indispensably necessary for the current year. 10

APPENDICES.

ENGLAND

Budget Esti

REVENUES AND RECEIPTS.	Actuals, 1869-70.	Budget Estimate, 1870-71.	Regular Estimate, 1870-71.	Increase.	Decrease.	Budget Estimate, 1871-72.	Budget compared with Regular.
	£	£	£	£	£	£	£
I.—LAND REVENUE ...	21,066,929	20,560,892	20,653,400	92,508	...	20,709,700	+56,300
II.—TRIBUTES AND CON- TRIBUTIONS FROM NATIVE STATES ...	705,126	737,073	730,300	2,227	...	730,100	—8,200
III.—FOREST ...	471,500	588,780	450,500	...	128,280	573,400	+113,900
IV.—EXCISE ON SPIRITS AND DRUGS ...	2,255,197	2,285,000	2,357,600	72,600	...	2,351,100	—6,500
V.—ASSESSED TAXES ...	1,110,224	2,180,000	2,075,000	...	105,000	600,000	—1,475,000
VI.—CUSTOMS...	2,429,185	2,416,500	2,558,000	141,500	...	2,558,800	—1,200
VII.—SALT ...	5,888,707	6,177,370	6,104,500	...	72,870	6,190,000	+85,500
VIII.—OPIUM ...	7,951,557	6,922,281	7,996,800	1,074,519	...	8,038,500	+41,700
IX.—STAMPS ...	2,373,844	2,441,508	2,488,900	47,392	...	2,542,100	+53,200
X.—MINT ...	157,214	139,970	32,300	...	107,670	40,600	+8,300
XI.—POST OFFICE ...	711,698	750,590	895,100	144,510	...	£35,600	—29,500
XII.—TELEGRAPH ...	257,134	193,058	226,200	33,144	...	245,600	+19,400
XIII.—LAW AND JUSTICE ...	828,515	793,292	755,400	...	37,892	466,600	—288,800
POLICE ...	287,549	251,068	252,900	934	...	...	—252,900
XIV.—MARINE...	329,953	265,615	272,100	6,485	...	237,900	—34,200
EDUCATION ...	74,873	78,574	62,200	...	16,374	...	—62,200
XV.—INTEREST ...	375,608	365,321	354,700	...	10,621	339,900	—14,800
XVI.—MISCELLANEOUS ...	1,525,769	737,874	1,027,100	289,226	...	923,300	—98,800
	48,860,762	47,885,602	49,311,000	1,905,045	479,707	47,416,200	—1,894,800
ARMY ...	1,082,605	730,225	903,000	166,775	...	819,000	—84,000
PUBLIC WORKS ORDINARY ...	169,155	117,870	117,600	...	270	109,900	—7,700
PUBLIC WORKS IRRIGATION...	534,979	462,740	473,600	10,860	...	490,300	+22,700
RAILWAYS ...	253,580	277,088	243,700	...	33,388	257,500	+13,800
TOTAL ...	50,901,081	49,479,585	51,048,900	2,082,680	513,365	49,098,900	—1,950,000

FORT WILLIAM;
 FINANCIAL DEPARTMENT,
The 9th March 1871.

EDWARD GAY,
Deputy Comptroller General.

AND INDIA.

mate, 1871-72.

EXPENDITURE.	Actuals, 1869-70.	Budget Estimate, 1870-71.	Regular Estimate, 1870-71.	Increase.	Decrease.	Budget Estimate, 1871-72.	Budget compared with Re- gular.
£	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT	4,982,420	5,300,538	5,295,800	...	4,738	5,372,000	+76,200
2.—INTEREST ON SERVICE FUNDS AND OTHER AC- COUNTS ...	627,267	514,002	545,500	31,498	...	528,100	-17,400
3.—REFUNDS AND DRAW- BACKS ...	465,094	400,000	338,600	...	61,400	338,000	-2,600
4.—LAND REVENUE ...	2,453,389	2,497,612	2,410,100	...	87,512	2,530,600	+120,500
5.—FOREST ...	313,477	437,540	386,000	...	51,540	451,100	+65,100
6.—EXCISE ON SPIRITS AND DRUGS ...	256,528	288,994	273,300	...	15,694	294,700	+21,400
7.—ASSESSED TAXES ...	41,701	59,100	43,700	...	15,400	43,400	-300
8.—CUSTOMS ...	181,456	189,214	185,000	...	4,214	193,400	+8,400
9.—SALT ...	391,485	499,019	416,500	...	82,519	462,700	+46,200
10.—OPIMUM ...	1,820,633	2,013,110	2,065,000	51,890	...	2,102,900	+37,900
11.—STAMPS AND STATIONERY	274,160	245,440	243,900	...	1,540	255,500	+11,600
12.—MINT ...	101,064	95,903	66,600	...	29,303	71,700	+5,100
13.—POST OFFICE ...	683,433	723,533	775,500	45,917	...	755,100	-20,400
14.—TELEGRAPH ...	553,401	589,719	537,100	...	52,619	515,500	-21,600
15.—ADMINISTRATION ...	1,339,875	1,400,601	1,363,000	...	37,601	1,437,200	+74,200
16.—MINOR DEPARTMENTS ...	234,680	239,167	218,900	...	20,267	235,600	+16,700
17.—LAW AND JUSTICE ...	2,902,926	3,009,432	2,962,400	...	47,032	2,427,100	-535,300
POLICE ...	2,435,131	2,319,964	2,269,500	...	50,464	...	-2,269,500
MARINE ...	1,291,671	784,100	733,700	...	50,400	777,800	+44,100
EDUCATION ...	627,184	630,530	606,200	...	74,330	...	-606,200
19.—ECCLIASTICAL ...	161,033	169,795	153,600	...	16,195	164,900	+11,300
20.—MEDICAL SERVICES ...	487,047	503,654	505,200	1,546	...	170,400	-333,800
PRINTING ...	214,362	222,279	200,500	...	21,779	...	-200,500
21.—POLITICAL AGENCIES ...	405,897	313,675	328,000	14,325	...	299,900	-28,100
22.—ALLOWANCES AND AS- SIGNMENTS UNDER TREATIES AND EN- GAGEMENTS ...	1,863,615	1,787,090	1,729,900	...	57,190	1,720,800	-9,100
23.—SUPERANNUATION, RE- TIRED AND COMPAS- SIONATE ALLOWANCES	1,332,515	1,376,253	1,458,900	82,647	...	1,425,700	-33,200
24.—MISCELLANEOUS ...	1,059,838	985,192	1,400,100	414,908	...	1,192,700	-207,400
25.—ALLOTMENTS FOR PRO- VINCIAL SERVICES† ...	...	...	200,000	200,000	...	4,799,300	+4,599,300
ARMY ...	27,561,332	27,051,511	27,712,500	842,731	781,742	28,564,100	+851,600
PUBLIC WORKS ORDINARY ...	16,329,739	15,745,341	16,300,000	554,659	...	15,934,000	-316,000
RAILWAYS ...	6,034,506	3,993,400	3,940,600	...	57,800	2,365,000	-1,675,600
GUARANTEED INTEREST ON RAILWAY CAPITAL, LESS NET TRAFFIC RECEIPTS†	309,712	363,710	222,000	...	141,710	235,500	+13,500
...	1,547,064	1,557,183	1,876,700	319,517	...	1,856,900	-19,800
PUBLIC WORKS EXTRAORDI- NARY ...	50,782,413	49,316,145	50,051,800	1,716,907	981,252	49,005,500	-1,046,300
...	2,599,614	3,062,300	1,140,800	...	1,915,500	3,626,000	+2,479,200
TOTAL ...	53,382,027	52,378,445	51,198,000	1,716,907	2,896,752	52,631,500	+1,432,800
SURPLUS EXCLUDING P. W. EXTRAORDINARY ...	118,668	163,440	997,100	...	...	93,400	...
GUARANTEED INTEREST† ...	4,176,008	4,405,353	4,407,400	...	...	4,633,600	...
NET TRAFFIC RECEIPTS ...	2,628,944	2,848,170	2,530,700	...	...	2,781,700	...
GUARANTEED INTEREST, LESS NET TRAFFIC RECEIPTS ...	1,547,064	1,557,183	1,876,700	...	...	1,856,900	...

† The following are the Services for which these Allotments are made:—Jails, Registration, Police, Education, Medical Services, Printing, Petty Construction and Repairs (excepting in the Salt and Opium Departments), Roads (other than Military), Civil Buildings, and Miscellaneous Public Improvements.

HUGH SANDEMAN,

Offg. Comptroller General.

R. B. CHAPMAN,

Off. Secy. to the Govt. of India.

IN

Budget Estimate,

REVENUES AND RECEIPTS.	Actuals, 1869-70.	Budget Estimate, 1870-71.	Regular Estimate, 1870-71.	Increase.	Decrease.	Budget Estimate, 1871-72.	Budget, compared with Regular.
	£	£	£	£	£	£	£
I.—LAND REVENUE ...	21,066,929	20,560,892	20,653,400	92,508	...	20,709,700	+56,300
II.—TRIBUTES AND CON- TRIBUTIONS FROM NA- TIVE STATES ...	765,126	737,073	739,300	2,227	...	730,100	-9,200
III.—FOREST ...	471,500	588,780	459,500	...	129,280	573,400	+113,900
IV.—EXCISE ON SPIRITS AND DRUGS ...	2,255,197	2,285,000	2,357,600	72,600	...	2,351,100	-6,500
V.—ASSESSED TAXES ...	1,110,224	2,180,000	2,075,000	...	105,000	600,000	-1,475,000
VI.—CUSTOMS ...	2,429,185	2,416,500	2,558,000	141,500	...	2,556,800	-1,200
VII.—SALT ...	5,888,707	6,177,370	6,104,500	...	72,870	6,190,000	+85,500
VIII.—OPIUM ...	7,951,557	6,922,281	7,996,800	1,074,519	...	8,038,500	+41,700
IX.—STAMPS ...	2,373,844	2,441,508	2,488,900	47,392	...	2,542,100	+53,200
X.—MINT ...	157,214	139,970	32,300	...	107,670	40,600	+8,300
XI.—POST OFFICE ...	711,698	750,590	895,100	144,510	...	365,600	-29,500
XII.—TELEGRAPH ...	202,932	163,950	196,200	32,244	...	213,600	+17,400
XIII.—LAW AND JUSTICE ...	828,515	793,292	755,400	...	37,892	466,000	-283,800
POLICE ...	257,549	251,906	252,900	994	...	...	-252,900
XIV.—MARINE ...	329,953	205,615	272,100	6,485	...	237,900	-34,200
EDUCATION ...	74,873	78,574	62,200	...	16,374	...	-62,200
XV.—INTEREST... ..	336,376	337,321	302,700	...	34,621	309,900	+7,200
XVI.—MISCELLANEOUS ...	1,440,998	737,874	948,400	210,526	...	841,300	-107,100
	48,688,467	47,828,562	49,150,300	1,825,445	503,707	47,267,200	-1,883,100
ARMY	1,060,423	733,925	854,000	120,075	...	805,000	-49,000
PUBLIC WORKS ORDINARY ...	169,155	117,870	117,600	...	270	109,900	-7,700
DITTO IRRIGATION ...	534,979	462,740	473,600	10,860	...	496,300	+22,700
RAILWAYS	253,580	277,088	243,700	...	33,388	257,500	+13,800
TOTAL	50,706,604	49,420,185	50,839,200	1,956,380	537,365	48,935,900	-1,903,300

FORT WILLIAM;
 FINANCIAL DEPARTMENT, }
The 9th March 1871.

EDWARD GAY,
Deputy Comptroller General.

1871.]

THE HONORABLE SIR RICHARD TEMPLE, K. C. S. I.

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DIA.

1871-72.

EXPENDITURE.	Actuals, 1869-70.	Budget Estimate, 1870-71.	Regular Estimate, 1870-71.	Increase.	Decrease.	Budget Estimate, 1871-72.	Budget Compared with Re- gular.
	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT.	2,773,414	2,993,700	2,946,300	...	47,400	2,942,300	—4,000
2.—DITTO SERVICE FUNDS AND OTHER ACCOUNTS	627,267	514,002	545,500	31,498	...	528,100	—17,400
3.—REFUNDS AND DRAW- BACKS ...	465,094	400,000	338,600	...	61,400	338,000	—2,600
4.—LAND REVENUE ...	2,459,399	2,497,612	2,410,100	...	87,512	2,630,600	+120,500
5.—FOREST ...	313,477	437,540	386,000	...	51,540	451,100	+65,100
6.—EXCISE ON SPIRITS AND DRUGS ...	256,528	288,994	273,300	...	15,694	294,700	+21,400
7.—ASSESSED TAXES ...	41,701	59,100	43,700	...	15,400	43,400	—300
8.—CUSTOMS ...	181,456	189,214	185,000	...	4,214	193,400	+8,400
9.—SALT ...	391,485	409,019	416,500	...	82,519	462,700	+46,200
10.—OPIUM ...	1,820,683	2,013,110	2,065,000	51,890	...	2,102,900	+37,900
11.—STAMPS AND STATIONERY	139,757	141,464	134,800	...	6,664	141,200	+6,400
12.—MINT ...	88,049	86,499	57,200	...	29,299	59,400	+2,200
13.—POST OFFICE ...	649,934	664,886	633,800	...	31,086	646,600	+12,800
14.—TELEGRAPH ...	467,175	356,792	374,600	17,808	...	351,500	—23,100
15.—ADMINISTRATION ...	1,187,696	1,198,201	1,155,000	...	42,601	1,229,800	+74,200
16.—MINOR DEPARTMENTS ...	234,680	239,167	218,900	...	20,267	235,600	+16,700
17.—LAW AND JUSTICE ...	2,902,926	3,009,432	2,962,400	...	47,032	2,427,100	—535,300
POLICE ...	2,435,131	2,319,964	2,269,500	...	50,464	...	—2,269,500
MARINE ...	932,460	476,170	422,000	...	54,176	487,100	+65,100
EDUCATION ...	627,184	680,530	606,200	...	74,330	...	—606,200
19.—ECCLESIASTICAL ...	161,083	169,795	153,600	...	16,195	164,900	+11,200
20.—MEDICAL ...	487,047	503,654	505,200	1,546	...	170,400	—334,800
PRINTING ...	214,362	222,279	200,500	...	21,779	...	—200,500
21.—POLITICAL AGENCIES ...	384,897	278,675	268,000	...	10,675	262,900	—5,100
22.—ALLOWANCES AND AS- SIGNMENTS UNDER TREATIES AND EN- GAGEMENTS ...	1,844,279	1,767,754	1,710,600	...	57,154	1,701,500	—9,100
23.—SUPERANNUATION, RE- TIRED AND COMPAS- SIONATE ALLOWANCES	592,752	730,481	678,900	...	51,581	623,700	—50,200
24.—MISCELLANEOUS ...	758,106	695,067	1,002,900	307,833	...	866,300	—136,600
25.—ALLOTMENTS FOR PRO- VINCIAL SERVICES ...	...	...	200,000	200,000	...	4,799,300	+4,599,300
ARMY ...	23,427,012	23,433,107	23,104,700	610,575	878,982	24,057,500	+892,800
PUBLIC WORKS ORDI- NARY ...	12,828,750	12,490,000	12,682,800	192,800	...	12,410,000	—272,800
NAVY ...	4,797,547	3,998,400	3,802,700	...	195,700	2,320,800	—1,481,900
RAILWAYS ...	309,712	363,710	222,000	...	141,710	235,500	+13,500
PUBLIC WORKS EXTRA- ORDINARY ...	41,363,021	40,285,217	39,872,200	803,375	1,216,392	39,023,800	—848,400
	1,427,992	3,062,300	1,095,000	...	1,967,300	3,236,500	+2,141,500
TOTAL ...	42,791,013	43,347,517	40,967,200	803,375	3,183,692	42,260,300	+1,293,100

HUGH SANDEMAN,

Offg. Comptroller General.

R. B. CHAPMAN,

Offg. Secretary to the Government of India.

ENGLAND.

Budget Estimate, 1871-72.

REVENUES AND RECEIPTS.	Actuals, 1869-70.	Budget Estimate, 1870-71.	Regular Estimate, 1870-71.	In-crease.	De-crease.	Budget Estimate, 1871-72.	Budget compared with Regular.
	£	£	£	£	£	£	£
XII.—TELEGRAPH	54,302	29,100	30,000	900	...	2,429,700	+80,200
XV.—INTEREST	39,322	28,000	52,200	24,000	...	114,300 12,300 108,500 164,000 207,400 290,700 37,000	+5,200 +2,800 -33,200 +1,500 ... -21,000 -23,000
XVI.—MISCELLANEOUS	78,771	...	78,700	78,700	...	19,300	...
TOTAL ...	172,295	57,100	160,700	103,600	...	797,000 326,400	+17,000 -70,800
ARMY	22,182	2,300	49,000	46,700	...	4,506,600 3,574,000 44,200 8,124,800	-41,200 -43,200 -93,700 -178,100
TOTAL ...	194,477	59,400	209,700	150,300	...	389,500 951,427 8,514,300	+337,700 +159,600

FORT WILLIAM; FINANCIAL DEPARTMENT, <i>The 9th March 1871.</i>	} } }	EDWARD GAY, <i>Deputy Comptroller General.</i>	HUGH SANDEMAN, <i>Offy. Comptroller General.</i>	R. B. CHAPMAN, <i>Offy. Secy. to the Govt. of India.</i>
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Receipts and Disbursements in England and India during the Year 1869-70.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
	£	£	£		£	£	£
1.—OPENING BALANCE ...	3,025,981	10,175,804	13,201,785	12.—ORDINARY EXPENDITURE ...	7,872,328	...	49,236,349
2.—ORDINARY INCOME ...	194,477	50,706,604	50,901,081	13.—GUARANTEED INTEREST ON RAILWAY CAPITAL ...	4,138,150	37,858	4,176,008
3.—RAILWAY TRAFFIC RECEIPTS ...	10,244	2,618,700	2,628,944	14.—EXTRAORDINARY EXPENDITURE ...	1,171,622	1,427,982	2,599,604
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERED, &c ...	...	16,488,803	16,488,803	15.—DEPOSITS REPAID AND ADVANCES RECOVERABLE, &c ...	...	17,251,968	17,251,968
5.—LOCAL REMITTANCES ...	...	724,738	724,738	16.—LOCAL REMITTANCES ...	...	614,652	614,652
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS ...	...	13,638,905	13,638,905	17.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS ...	...	13,989,488	13,989,488
7.—REMITTANCE ACCOUNT ...	213,145	1,900,541	2,113,686	18.—REMITTANCE ACCOUNT ...	1,127,899	838,351	1,966,250
8.—ABYSSINIAN EXPEDITION ...	1,400,867	181,886	1,582,753	19.—ABYSSINIAN EXPEDITION ...	46,743	986,215	1,032,958
9.—BILLS OF EXCHANGE ...	6,980,122	73,322	7,053,444	20.—BILLS OF EXCHANGE ...	...	6,701,081	6,701,081
10.—RAILWAY CAPITAL ...	4,783,554	26,381	4,809,935	21.—RAILWAY CAPITAL ...	2,397,378	2,472,800	6,370,138
11.—BORROWED ...	4,038,413	3,947,890	7,986,303	22.—DEBT PAID ...	501,300	1,848,199	2,349,439
TOTAL	20,647,803	100,482,074	121,129,877	23.—CLOSING BALANCE ...	2,592,483	13,940,451	16,832,934
				TOTAL	20,647,803	100,482,074	121,129,877

Abstract of the above showing how the Ways and Means of the Year have been provided.

SURPLUS IN ORDINARY ACCOUNT INCLUDING RAILWAY TRANSACTIONS...	118,808	CASH BALANCE INCREASED ...	...	...	3,631,149
LOCAL REMITTANCES ...	110,086	EXTRAORDINARY EXPENDITURE ...	...	...	2,599,604
BILLS OF EXCHANGE ...	1,352,863	DEPOSITS REPAYABLE AND ADVANCES RECOVERED ...	...	...	763,163
REMITTANCES ...	147,436	INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS ...	...	...	382,683
ABYSSINIAN EXPEDITION ADVANCES RECOVERED...	549,795	RAILWAY CAPITAL EXPENDITURE IN EXCESS OF RECEIPTS ...	...	...	580,203
BORROWED ...	5,637,864				
TOTAL	7,916,712	TOTAL	...	...	7,916,712

FORT WILLIAM;
FINANCIAL DEPARTMENT.

EDWARD GAY,
Deputy Comptroller General

HUGH SANDEMAN,
Offy. Comptroller General.

R. B. CHAPMAN,
Offy. Secy. to the Govt. of India.

The 9th March 1871.

Estimated Receipts and Disbursements in England and India during the year 1870-71.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE	£ 2,992,483	£ 13,940,451	£ 16,932,934	11.—ORDINARY EXPENDITURE	£ 8,302,900	£ 39,872,300	£ 48,175,100
2.—ORDINARY INCOME	209,700	50,839,200	51,048,900	12.—GUARANTEED INTEREST OF RAILWAY CAPITAL	4,370,000	87,400	4,457,400
3.—RAILWAY TRAFFIC RECEIPTS	.....	*6,008,200	6,008,200	13.—EXTRAORDINARY EXPENDITURES	51,500	1,085,000	1,136,500
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERED, &c.	.....	13,833,300	13,833,300	14.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO RAILWAY COMPANIES	.....	19,477,500	19,477,500
5.—LOCAL REMITTANCES	.....	701,000	701,000	15.—DEPOSITS REPAYED AND ADVANCES RECOVERABLE, &c.	.....	15,528,400	15,528,400
6.—REMITTANCE ACCOUNT	129,000	1,458,500	1,587,500	16.—LOCAL REMITTANCES	.....	631,000	631,000
7.—ABYSSINIAN EXPENDITURE	134,800	.....	134,800	17.—REMITTANCE ACCOUNT	1,087,800	282,600	1,370,400
8.—BILLS OF EXCHANGE AND SPECIE	9,000,000	.....	9,000,000	18.—ABYSSINIAN EXPENDITURE	800	12,500	13,300
9.—RAILWAY CAPITAL	6,832,000	.....	6,832,000	19.—BILLS OF EXCHANGE AND SPECIE	.....	9,525,000	9,525,000
10.—BORROWED	2,010,800	4,080,100	6,090,700	20.—RAILWAY CAPITAL	5,385,000	1,467,600	6,852,600
				21.—DEBT PAID	.....	2,911,500	2,911,500
				22.—CLOSING BALANCE	2,010,383	16,012,051	18,022,334
TOTAL	21,209,583	90,860,751	112,059,334	TOTAL	21,209,583	90,860,751	112,059,334

* Exclusive of Gain by Exchange £543,800, which is included under 2, Ordinary Income. † Exclusive of Loss by Exchange £311,000, which is included in 11, Ordinary Expenditure.

Abstract of the above showing how the Ways and Means of the Year are estimated to be provided.

SURPLUS IN ORDINARY ACCOUNT, INCLUDING RAILWAY TRANSACTIONS	£ 997,100	CASH BALANCE INCREASED	.....	.....	1,189,400
LOCAL REMITTANCES	70,000	EXTRAORDINARY EXPENDITURE	.....	.....	1,146,800
REMITTANCES	217,100	BILLS OF EXCHANGE	.....	.....	525,000
ABYSSINIAN EXPENDITURE ADVANCES RECOVERED	131,500	DEPOSITS REPAYABLE AND ADVANCES RECOVERED	.....	.....	1,683,100
BORROWED	8,169,200	RAILWAY CAPITAL EXPENDITURE IN EXCESS OF RECEIPTS	.....	.....	20,600
TOTAL	£ 4,574,900	TOTAL	.....	.....	4,574,900

FOOT WILLIAM;
FINANCIAL DEPARTMENT,
The 9th March 1871.

EDWARD GAY,
Deputy Comptroller General.

HUGH SANDEMAN,
Offg. Comptroller General.

R. B. CHAPMAN,
Offg. Secy. to the Govt. of India.

Estimated Receipts and Disbursements in England and India during the Year 1871-72.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE	...	£	£	11.—ORDINARY EXPENDITURE	£	£	£
2.—ORDINARY INCOME	2,010,283	16,012,051	18,022,334	12.—GUARANTEED INTEREST ON RAILWAY CAPITAL	8,124,800	39,023,800	47,148,600
3.—RAILWAY TRAFFIC RECEIPTS	163,000	48,935,900	49,098,900	13.—EXTRAORDINARY EXPENDITURE	4,000,000	38,600	4,038,600
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERED, &c.	...	*6,423,900	6,423,900	14.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO RAILWAY COMPANIES	389,500	3,236,500	3,626,000
5.—LOCAL REMITTANCES	...	17,876,300	17,876,300	15.—DEPOSITS REPAID AND ADVANCES RECOVERABLE, &c.	...	*3,647,200	3,647,200
6.—REMITTANCE ACCOUNT	...	134,600	134,600	16.—LOCAL REMITTANCES	...	18,327,900	18,327,900
7.—ARABISSINIAN EXPENDITURE	74,000	1,411,300	1,485,300	17.—REMITTANCE ACCOUNT	...	162,100	162,100
8.—BILLS OF EXCHANGE	5,000	...	9,000,000	18.—BILLS OF EXCHANGE	1,194,700	272,200	1,466,900
9.—RAILWAY CAPITAL	9,000,000	...	4,672,000	19.—RAILWAY CAPITAL	...	9,000,000	9,000,000
10.—BORROWED	2,500,000	1,067,000	3,567,000	20.—DEBT PAID	1,985,000	1,834,700	3,819,700
				21.—CLOSING BALANCE	5,000	1,206,800	1,211,800
				TOTAL	2,125,283	15,121,251	17,246,534
TOTAL	19,424,283	91,871,051	110,295,334		18,424,283	91,871,051	110,295,334

* Exclusive of Gain by Exchange £577,100, which is included under 2, Ordinary Income. † Exclusive of Loss by Exchange £327,100, which is included in 11, Ordinary Expenditure.

Abstract of the above showing how the Ways and Means of the Year are estimated to be provided.

SURPLUS IN ORDINARY ACCOUNT INCLUDING RAILWAY TRANSACTIONS	EXTRAORDINARY EXPENDITURE	DEPOSITS REPAYABLE AND ADVANCES RECOVERED	LOCAL REMITTANCES	TOTAL
CASH BALANCE REDUCED	93,400	...	...	3,626,000
REMITTANCES	775,800	...	...	451,600
ARABISSINIAN EXPENDITURE ADVANCES RECOVERED	18,400	...	...	27,500
RAILWAY CAPITAL RECEIPTS IN EXCESS OF EXPENDITURE	10,000	...	...	...
BORROWED	852,300	...	...	...
	2,355,200	...	...	...
TOTAL	4,105,100	...	...	4,105,100

FORB WILLIAM;
FINANCIAL DEPARTMENT,
The 9th March 1871.

EDWARD GAY,

Deputy Comptroller General.

HUGH SANDEMAN.

Offg. Comptroller General.

R. B. CHAPMAN,

Offg. Secy. to the Govt. of India.

A.

STATEMENT of Special Loans to

	Amount of Loans Sanctioned.	Rate of Interest.	Date of Orders authorizing the Loans.
	Rs. A. P.		1869-70.
PORT CANNING MUNICIPALITY (for improvement of Port).	4,50,000 0 0	Nil for 5 years.	Finl. Dept., Govt. of India, 16th March 1866, No. 1251.
CALCUTTA MUNICIPALITY (for Water Supply).	52,00,000 0 0	4a	Finl. Dept., Govt. of India, 28th Feb. 1867, No. 1171.
KURRACHEE MUNICIPALITY (for Water Supply).	6,30,000 0 0	4a	Finl. Dept., Govt. of India, 25th March 1869, No. 1519.
BOMBAY MUNICIPALITY (for payment of existing debts, repayable by instalments in 10 years).	15,00,500 0 0	5	Finl. Dept., Govt. of India, 31st March 1869, No. 1907.
MADRAS LOCAL FUNDS (for completion of East Coast Canals, at least Rs. 5,000 to be repaid half-yearly).	2,00,000 0 0	5	Finl. Dept., Govt. of India, 5th July 1869, No. 1753.
MADRAS MUNICIPALITY (for Water Supply)	12,80,000 0 0	4a	Finl. Dept., Govt. of India, 27th February 1869, No. 1219 and 8th July 1869, No. 1862.
BACK BAY RECLAMATION COMPANY	.....	8	.....
ELPHINSTONE LAND AND PRESS COMPANY	.....	5	Bombay Govt. Resolution, No. 62, C. W. 222, dated 29th Jan. 1869, P. W. Dept.
BOMBAY MUNICIPALITY (for Vihar Water Works).	.....	4	Bombay Acts XIII of 1863 and II of 1865 and Bombay Govt. Resolution No. 1389, dated 27th July 1865.
BOMBAY MUNICIPALITY (for Elphinstone Circle Debt).	.....	Nil.	Bombay Govt. ...
CALCUTTA PORT FUND	18,25,000 0 0	4½	Finl. Dept., Govt. of India, 30th April 1870, No. 200.
AJMER	.....	.....	.....
KUMAON (May 1868), (Nyneetal)	.....	.....	N. W. P. Govt. Order of 5th May 1868, No. 2078.
OOTACAMUND MUNICIPALITY	20,000 0 0	5	Madras Govt. Order of 11th Aug. 1869, No. 1112, Public Dept.
			TOTAL

(a) 2 per cent. additional appropriated to form a Sinking Fund.

(b) Written off to 26, Miscellaneous.

NOTE.—Umritsur Municipality having overdrawn its account with Government, an application for a for Accountant General, Lahore.

CALCUTTA,
COMPTROLLER GENERAL'S OFFICE,
CENTRAL ACCOUNTS BRANCH,
The 24th February 1871.

Municipalities, &c., during 1869-70.

Balance from last year.	Amount advanced.	TOTAL.	Amount repaid.	Balance.	Amount of Interest received or credited to Revenue.	Balance of Interest unpaid.
Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
4,50,000 0 0	.....	4,50,000 0 0	2,25,000 0 0	2,25,000 0 0	.....	
42,00,000 0 0	9,50,000 0 0	51,50,000 0 0	.....	51,50,000 0 0	1,82,621 14 8	
.....						
2,42,501 10 0	12,57,498 6 0	15,00,000 0 0	66,108 8 3	14,33,891 7 9	61,891 7 9	
.....	35,154 10 11	85,154 10 11	10,000 0 0	25,154 10 11	968 0 1	
.....	50,000 0 0	50,000 0 0	.....	50,000 0 0	1,000 0 0	
6,19,283 8 3	.....	6,19,283 8 3	6,19,283 8 3	.....	1,14,225 14 7	
10,00,000 0 0	24,779 2 4	10,24,779 2 4	.....	10,24,779 2 4	.....	
37,91,175 0 4	.....	37,91,175 0 4	11,248 0 0	37,79,927 0 4	1,51,591 13 4	
1,22,724 0 0	.....	1,22,724 0 0	92,800 0 0	29,924 0 0	.....	
.....	12,55,000 0 0	12,55,000 0 0	.....	12,55,000 0 0	Nil.	
.....	2,564 0 0	2,564 0 0	2,564 0 0	.....	Nil.	
.....	4,000 0 0	4,000 0 0	.....	4,000 0 0	Nil.	
.....	11,006 12 8	11,006 12 8	.....	11,006 12 8	.....	
1,04,25,684 2 7	35,90,002 15 11	1,40,15,687 2 6	10,27,004 0 6	1,29,88,683 2 0	5,12,299 2 5	

(c) Interest from 1st July 1869 to 30th April 1870, amounting to Rs. 41,666-10-8 credited to Revenue in 1870-71.

(d) Advanced in 1868-69. mal loan has been submitted; but no orders of Government thereon have been received in the Office of

E. F. HARRISON,
Comptroller General.

B.
SINKING FUNDS for redemption of Loan, during 1869-70.

	BALANCE.		RECEIPTS.		TOTAL.		PAYMENTS.		BALANCE.	
	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
					1869-70					
CALCUTTA MUNICIPALITY (for Water Supply) ...	54,800 0 0	895 2 4	84,000 0 0	98,471 3 1	1,38,800 0 0	97,368 5 5	.....	97,276 3 3	1,38,800 0 0	90 2 2
MADRAS MUNICIPALITY (for Water Supply) ...	.....	.....	500 0 0	500 0 0	500 0 0	500 0 0	.....	478 4 11	500 0 0	20 11 1

CALCUTTA,
COMPTROLLER GENERAL'S OFFICE,
CENTRAL ACCOUNTS BRANCH,
The 24th February 1871.

E. F. HARRISON,
Comptroller General.

Account of Money raised on Loan in 1869-70 for Reproductive Works, and of Extraordinary Expenditure.

[illegible]

CALCUTTA, }
COMPTROLLER GENERAL'S OFFICE;
The 24th February 1871.

E. F. HARRISON,
Comptroller General.

[Mar. 9, 1871.]

ESTIMATE.

Account of Money raised on Loan in 1870-71 for reproductive Works and of Extraordinary Expenditure.

£	£	£	£	£
Balance Brought forward	...	.....	2,321,132	£
LOANS RAISED—				
ENGLAND—				
Proceeds of 4 per cent. Stock	... £ 2,010,636			
India Loan from the Maharaja Holkar for a State Railway	... 250,000			
Deduct—	2,260,636			
Debt paid in India	... 510,000		1,750,606	
EXTRAORDINARY RECEIPTS—				
Bombay Municipality	...	14,800		
Madras East Coast Canals	...	1,000		
Ootacamund Municipality	...	300		
			16,100	
EXTRAORDINARY EXPENDITURE—				
Irrigation Works, India	...			808,000
England	...			1,300
				809,300
State Railways, India	... £300,000			
England	... 73,500			373,500
LOANS—				
To Calcutta Port Trust	...			28,000
Simla Municipality	...			5,000
Umrutsur Municipality	...			22,500
Bombay Port Fund	...			170,100
Cawnpore Municipality	...			20,000
Nagpore Municipality	...			6,000
Madras Municipality	...			58,500
East Coast Canals, Madras	...			2,600
Ootacamund Municipality	...			900
				313,600
Probable Balance to be carried to Account for 1871-72				
	...		16,100	.....
			4,087,838	4,087,838

Calcutta,
COMPTROLLER GENERAL'S OFFICE;
The 24th February 1871.

E. F. HARRISON,
Comptroller General.

FINANCIAL STATEMENT

BY

THE HON'BLE SIR RICHARD TEMPLE, K. C. S. I.

APRIL 6th 1872.

I HAVE to present the budget of British India for the year 1872-3.

PREFACE.

In the midst of the preparation of this statement, we were arrested by a most lamentable event which deprived the Indian Government of its head. The changes consequent on the death of the Earl of Mayo have delayed the completion of the budget, and interrupted the consideration of some financial questions connected with it. Therefore, the exposition now to be made, though complete, we trust, in respect to facts, cannot be so complete in respect of policy, as it might have been. My Lord, as it is impossible to avoid alluding here to that most grave occurrence, I feel bound on this occasion to bear witness to the serious loss which the Financial department (in common with all other departments) has sustained by the death of Lord Mayo. This Council, and indeed all persons interested in Indian finance, well know how sound and just were his opinions on financial subjects. But those who were in almost daily communication with him, regarding the administration of the exchequer, the work of the treasury department, the gathering in of receipts, the regulation of expenses,—must necessarily know best how firm he was in the enforcement of economy, how strict he was in adherence to rule, how anxious he was that the State resources should be reserved either for indispensable or for beneficent purposes, how consistent he was in the vindication of financial considerations, how generous he was in the support of those engaged in the conduct of affairs.

Your Lordship and the Council, then, will doubtless bear in mind the particular disadvantage under which this statement is made to-day.

Before proceeding further, I desire to make certain remarks supplementary to the statement delivered by me here on the 9th of March last year.

The Council may recollect that, on that occasion, I showed for the year 1869-70 an actual surplus of £118,668, observing that this result was owing, partly to management and partly to fortune. From observa-

[1872-73.

PREFACE.

tions since made in England, it would seem to have been supposed that this result arose from crediting to the income of the year various extraordinary receipts which ought not to have appeared there at all, and without which there would have been a deficit. From the tenor
5 of some of these observations, indeed, it would further seem to be supposed that I had omitted, in my exposition, to bring this fact into prominent relief. I certainly stated the finance to be in surplus, and so it was. It was necessary to make this statement; and none other could have been made. At the same time, however, those credits, so far
10 from being unnoticed, were prominently noticed, while the debits on the other side were also mentioned. This was in 1870. So clear, indeed, were the points made, that some public attention was attracted to them; and this caused me to revert to the matter in 1871, and to draw attention once more to those large credits.

15 By the existing system of finance and accounts, all receipts of whatsoever nature, whether ordinary or extraordinary, whether regular receipts, or casual receipts commonly called "windfalls," or other, must appear in the income of the year, and cannot be excluded therefrom, in order to be embodied in any other account. I am not, indeed, prepared
20 to say that the system can be altered in this respect. But, whenever such extraordinary credits occur, they should be clearly set forth, so that the financial position may not be allowed to seem better than it is; and they should not be permitted to affect the provision of ways and means, or to mitigate taxation, or to stay reduction of expenses. We should
25 so arrange that the current finance may not derive any undue benefit from them. Now this is just what has occurred in regard to these credits of late years. They were not entered in the budget of 1869-70, for the reason that they were not expected to accrue within that year. Thus they did not affect the provision of ways and means. It was
30 quite irrespectively of anything of this kind, that we imposed the income tax and raised the salt duties. It was also irrespectively of this, that we enforced various reductions of expenditure, civil and military. If the expectation of these credits had influenced our judgment, and induced us to waive the increase of taxation, or defer the reduction
35 of expenditure, then the effect would have been bad. But the very contrary occurred, and the bad effect was avoided.

I proceed to deal with my subject in what are its well-established divisions, firstly, the "actuals," or figures of the last year (1870-71) for which the accounts are closed; secondly, the "regular estimate," or latest
40 figures of the year 1871-72, just completed, for which the accounts are not yet closed; thirdly, the "budget," or the estimated figures for the year just commencing, 1872-73; fourthly, the ways and means and the cash balances.

ACTUALS,
1870-71.

I begin then with the actual figures of the year 1870-71. In my
45 last exposition, the surplus of income over ordinary expenditure for that year was shown to be estimated at just one million, or £997,100. The actual result now proves to be a surplus of $1\frac{1}{2}$ millions, or £1,482,990, being an improvement of just half a million, or £485,890; the total income being £51,413,685, or nearly $51\frac{1}{2}$ millions, the largest ever yet attained
50 in British India, and the ordinary expenditure being £49,930,695, or close on 50 millions. This improvement in the surplus arises chiefly
-- 1872-73.]

from increased receipts in India, but partly also from short expenditure in England. The expenditure in India turned out, on the whole, to be about the same as the estimate. The details will be found in the figured statements, and time will not permit me to explain them all here. But, in general terms, there were comparatively small increases under 5 most heads of revenue, showing that the regular estimate had been cautiously made; and the net effect of the relatively slight variations on the expenditure side, items of increase being on the whole balanced by those of decrease, showed that the expenses of the State had been kept fairly well in hand. 10

ACTUALS,
1870-71.

The year 1870-71, then, ended thus: by the budget estimate there was anticipated an equilibrium between income and ordinary expenditure with a small surplus of less than £200,000; the actual result has been a surplus of 1½ millions. Certainly this satisfactory surplus has been secured not at all before it was wanted, as a partial set-off against the deficit 15 of previous years. And we must remember that of the million and a half, full one million, or two-thirds of the surplus, arose from unlooked-for increase in our opium receipts, a source on which we could not reckon beforehand. We should have had no right to rely. Without this, the surplus would have been a very moderate surplus, not 20 largely in excess of the originally estimated. I may, therefore, reiterate what I said in my last exposition, namely, that the actual surplus cannot be justly held to invalidate the policy of those special measures of direct taxation which were resorted to in that year. 25

In addition to the above, there was an extraordinary expenditure on reproductive public works of £1,167,810 or more than one million from loan funds. 30

We thus arrive at the second part of the subject, namely, the regular estimate for the year 1871-72. This estimate is based on the 30 actual figures of eleven months for most, and twelve months for a few, of the main heads of income; of eleven months for most branches of civil expenditure and of nine months for the army and public works department. Still the remaining accounts yet to come in, and the inevitable adjusting entries in the last month of the year, are so important, that, 35 despite all precautions, many possible variations between this estimate and the future actuals must be looked for.

REGULAR
ESTIMATE,
1871-72.

The result, however, so far as yet known, is in this wise. The budget estimate for the current year showed an equilibrium between income and ordinary expenditure with a small surplus of £93,400. The 40 regular estimate, however, shows an income of £49,976,500, or 50 millions, with an ordinary expenditure of £47,276,500, or 47½ millions, leaving a surplus of £2,700,000, or 2¾ millions. The income is not quite so high as the income of the last two years; but the ordinary expenditure appears remarkably low as compared with the figures of previous 45 years, and is the lowest that has been shown since 1866-67.

It will be very satisfactory if this anticipation shall be realized.

In this year, however, as in the preceding year, the main cause of the surplus arises from the opium receipts. Early in the spring of 1871 a very injurious blight befell the poppy crop of Behar, by reason (as 50 appeared on enquiry) of unseasonable rains soon after seed time, and of

REGULAR
ESTIMATE,
1871-72.

unpropitious changes in the weather near harvest time. Hence there was, immediately, an anticipation of a short yield, which anticipation was but too fully borne out by the event, for the damage turned out ultimately to be a loss of 14,743 chests, or 26 per cent. on the expected out-turn. Consequently, the prices of Bengal opium rose, and continued to range at high rates. Thus the fiscal receipts		
	Chests.	
Final Estimate	... 55,724	
5 Out-turn ...	... 40,981	
Deficiency	... 14,743	

became much enhanced. Under ordinary circumstances, it might be supposed that such enhancement would be counterbalanced by short supply. If, on the one hand, we received more than was expected for the quantity disposed of, we should, on the other hand, have less quantity to offer for disposal. But, in reality, such was not the case under the circumstances necessarily produced by the existing system. While the high prices were ruling, we were disposing of full quantities drawn from the yield of the previous year. The short harvest did not affect the supplies of the period immediately following. Consequently the revenue, for a time, gained the full advantage of an enhanced price on a full supply.

20 Besides this temporary advance in the price of Bengal opium, the same causes appear slightly to have affected the exportation of Malwa opium from Bombay. The exportation of which pays a fixed duty per chest has somewhat exceeded the estimate.

Again, these circumstances operated on the immediate financial out-
25 turn in another way, which was this. The estimated outlay for Bengal opium on the part of Government had been framed on the supposition that there would be an average yield, and, consequently, an average payment to the cultivators for their produce. But, as the produce fell short, so the payments decreased. Hence, there was a large saving on the
30 expenditure side.

On the receipt side there is under this item $1\frac{1}{4}$ million, or £1,214,900 more than the budget; and on the expenditure side nearly half a million, or £491,600 less than the budget. The real improvement on the receipt side is even larger than appears on the face of the accounts, for, owing
35 to a change of system introduced during the year, the cost price of opium retailed for consumption in India has been removed from the head of Opium on the receipt side and from that of Excise on the charge side. The sum of £138,600 was the estimated receipt on this account, and this sum must be added to the increase shown in the accounts, in order that
40 the total real improvement may be understood.

Thus the total actual gain under opium as compared with the original estimate of the year amounts to more than $1\frac{1}{4}$ millions, or £1,845,100.

The prices of Bengal opium, which stood at Rs. 1,163 per chest at
45 the beginning of the year, that is, in April, rose gradually till they reached Rs. 1,569 per chest in November. Then they fell to Rs. 1,425 per chest in December, since which time they have remained steady on the whole, though with occasional fluctuations and indications of a tendency to decline. The average price per chest obtained for the 49,695
50 chests sold during the whole year has thus been Rs. 1,388, instead of Rs. 1,075 as estimated. After the fluctuations which the prices have

experienced, it were vain to predict their continuance at any such rates; especially as they probably depend on the vicissitudes of season not only in India, but also in China. If there should be, simultaneously, propitious seasons in both countries, a fall in prices is to be feared. At all events, we should be on our guard against a fall in prices, which are now ranging higher than the average of recent years.

By this great gain on opium, then, we account for nearly three-fourths of the surplus (£2,606,600) over the original estimate, in other words, for that part of the surplus which is abnormal or exceptional.

But there still remains more than one-fourth, represented by 10 £761,500, to be otherwise accounted for, which is of a more normal and regular character. This portion of the surplus does not at all arise from increase of receipts other than opium, for, on the contrary, there is some decrease in those receipts. It really arises from large savings in expenditure, as will be presently seen. The reductions on the side of charges 15 amount to £1,098,800 with a set-off of £337,300 loss of receipts—bringing out the net sum of £761,500 above shown.

I must, first, explain the decrease of revenue which occurs, under various heads, as follows.

Under land revenue there is a falling off of £142,700, which occurs 20 in Oudh owing to floods, in Bombay owing to large remissions necessitated by drought in the Southern Mahratta country, and in Bengal owing to the sale of Government estates being stopped.

Under forest there is a decrease of £146,800, partly balanced by a saving in the expenditure of £116,100.

The salt revenue shows a falling off of £193,800, which is distributed through all the provinces, and must cause some anxiety.

The decreases under post office, telegraph, law and justice, and marine are all largely exceeded by savings shown on the other side of the account. The decrease of £25,200 under public works ordinary is owing to the 30 transfer of receipts to Provincial funds. The falling off of £25,700 in canal rents, notwithstanding the heavy expenditure of capital on these works, is not satisfactory.

On the other hand, there are some increases, namely, £25,900, under tributes, due to a succession having occurred in the Nábha State; 35 £224,600 under assessed taxes (Income Tax), the arrears from the preceding year having proved larger than was expected; and £64,300 under army receipts, sale of stores, and the like.

So much for the receipt side. On the expenditure side there are reductions as follow.

There is decrease of £33,600 under interest on service funds and other accounts—attributable to transactions with the several civil funds; of £90,100 in land revenue establishments, arising chiefly in the allowances payable to village officers in the Bombay Presidency; of £12,800 under assessed taxes; of 8,500 under customs; of £103,300 under post office, partly 45 due to economy in India, but chiefly relating to the payments in England of the subsidy for the overland postal service; of £48,400 under telegraph; of £13,700 under minor departments; of £129,800 under law and justice, owing to general economy, but partly relating to the process-serving establishment in the Madras Presidency; of £170,900 under 50 marine, relating partly to provision of stores in England, and partly to

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ESTIMATE,
1871-72.

slack work in the Bombay dockyard; of £8,100 in the ecclesiastical department, owing to vacancies remaining unfilled; of £108,400 in the miscellaneous branch, owing to improvement in exchange. The decrease in excise of £159,500 is largely nominal, as already explained with
5 reference to the opium figures, and the decrease under stamps and stationery of £150,900 is partly owing to the transfer of stationery to the heading of administration, which accordingly shows an increase of £82,200..

I am obliged to be brief in respect of these items, indicating only
10 those circumstances which are special. But in general terms, it may be said that these reductions are largely (though not wholly) derived from real savings of various sorts all over the country, apparently small if reckoned singly, but making up a considerable aggregate when taken collectively.

15 In respect of the army, it will be observed that the charges are not expected to increase beyond the amount set down in the budget, but that, on the contrary, there is to be a saving of £240,100. That increase should be avoided, is a circumstance creditable to the military authorities and indicative of saving and economy. For the estimates
20 are burdened with two items not originally contemplated. A saving of £100,000 in the native army was reckoned upon,—which calculation was considered justifiable in the then condition of our correspondence on the subject with Her Majesty's Government. To our regret, however, we have not been able to secure that saving. Again, since the
25 framing of the budget, it has been found necessary, as is well known, to undertake military operations against the Lushais and other wild tribes on the Eastern Frontier. The cost of that expedition will entail an additional charge of £200,000 during the year.

It may therefore be asked how, notwithstanding these items of
30 increase, the total result has not been unfavorably affected, but is turning out more favorable than the first estimate? Well, the reason is that there have been considerable savings, estimated at £480,000, or nearly half a million sterling. There is hardly time now to specify the items of which this large economy is composed. But I may state briefly the chief of
35 them. In the first place there is a total reduction of £198,000 in various items, namely, the cost of provisioning European troops, the compensation payable to native troops for dearness of grain, the cost of feeding army remounts and commissariat cattle, the compensation for dearness of forage. Again, there have been lesser, though still appreciable,
40 reductions in the purchase of livestock, of rum, of remounts, of camp equipage; in the charges for sea transport by the Cape and for overland transit, in medical supplies, in barrack establishment and supplies, and in miscellaneous charges, by abolition of various appointments, or by vacancies left unfilled in the medical branch, in the military account
45 department, in the commissariat establishments—together with other reductions. On the whole, I think we may congratulate our colleague at the head of the War Department (General Norman) on the satisfactory condition of the military estimates.

As some of the remarks made on this subject in my exposition
50 before this Council of March 1871 have been followed by public discussion elsewhere, I am obliged to revert to that for a moment.
1872-73.]

ment. The Council may recollect that commenting on the estimate of military expenditure in *India* for 1871-72, I remarked that the amount was the lowest that had been taken any year since the war of the mutinies. From the comments evoked by this remark, it would almost seem to be supposed that the total military expenditure (both in India itself and in England on account of India) had been reduced; that the reduction itself was made to look larger than it was; that the fact was ignored of the expenditure not having decreased in proportion to the reduction in the strength of the army in India. But if any such suppositions have been entertained by any one, they are quite incorrect. 5 10

It has never been represented in this place that the *total* expenditure (in India itself and in England on account of India) has been reduced. The figured statements laid year by year on this table have shown the contrary. And in my exposition of March 1869, it was not only declared that, in the aggregate, the expenditure has increased despite reduction of force, but it was shown, in some detail, how this had come about. On that occasion, a brief *resumé* was given of the inevitable circumstances which have enhanced the expenditure of late years—circumstances arising from the rise of prices, from organization approved of by the Government in India and in England, from regulations applicable to India in common with all parts of the British Empire, from improved armaments, from increased demands arising out of changes of system. 15 20

These points having been already stated on a former occasion, I did not, last year, trouble the Council with a re-statement. It was indeed stated, in March 1871, that the expenditure in India was at the lowest point reached since the war of the mutinies, and thereby allusion was made not to any insignificant amount, but to a difference in our favour of £443,636, or nearly half a million. This, by itself, is fact of relevance and of consequence, inasmuch as the charges in India do, in the main, represent the effective charges of the army less stores and transport charges, which are incurred in England. And this had arisen partly from efforts and sacrifices made by the Government of India. But in stating this, nothing was further from our intention than to intimate that no further reductions of expense could be judiciously made. 25 30 35

The decrease in railways, £101,300, is owing to short expenditure of capital. Less land has accordingly been taken up, and there is less loss by exchange. The head of guaranteed interest, which was at one time during the year the source of some anxiety, ends with a small improvement of £35,500. 40

It will be observed that there is an increased charge of £101,400 for interest on the debt. This is due to large arrears of unclaimed interest having been paid during the year, partly in reference to the discharge of the 5 per cent. loan. 45

In the item of provincial services there will be found an increase of £51,800; this has arisen from additional or supplementary grants made during the year to several local Governments, to cover fresh services transferred to provincial administration, or for other reasons in special cases. Ordinarily, the allotment for these services ought not, under present arrangements, to increase, unless the services themselves be increased; in fact the comparative fixity of the grants for 50

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ESTIMATE,
1871-72.

services which would otherwise be growing constantly,—is one of the financial merits of the scheme. But during this, the first, year after the introduction of the measure, it has been necessary to make a few special and limited concessions in order to adjust claims relating to antecedent
5 transactions. As one instance out of several, I may mention the allotment made for the construction of the Small Cause Court-house at Calcutta, whereby the annual rent defrayable by the Government of India has been capitalized and discharged by payment of an equitably calculated sum.

10 It might be premature to pronounce on the general merits of the scheme in practice after only one year's experience; but, from a financial point of view, it appears to be working well. There has been, of course, the avoidance of that friction which is inseparable from a central control over expenditure in matters specially local. There is some abridgment
15 of labour. There has been either absence of complaint, or else expression of satisfaction, on the part of the local authorities. Here and there it may be that charges have been allowed under the new, which would have been refused under the old, system. But, on the whole, the local Governments seem to have been stimulated in the study of economy by
20 the new and additional interest which they are enabled to feel in their financial affairs. And, further, this is evidenced by the fact that some of these Governments have husbanded the sums at their credit, and keeping their expenses within the limits of their grants, have begun to accumulate funds for future use.

25 In previous expositions I have noticed the clearance effected in some parts of the accounts by the adjustment of long standing and unsettled items both on the credit and the debit sides. Having regard to the complexity and variety of the affairs in hand, we cannot say that no such adjustments will recur: but, as a fact, none have occurred during
30 the year and none are immediately anticipated. One only, of any consequence, is looked for at present, and that relates to the capital of the Civil Annuity Funds recently abolished.

To return to the figures then; the sum of my explanation is this—that besides the surplus of £1,845,100 from opium there is a surplus of
35 £765,100 due to other causes. This latter amount (£765,100) is owing to large reductions in the expenditure. The Budget Estimate showed an equilibrium supported by a small surplus of £93,400. The regular estimate shows a surplus of 2½ millions (£2,700,000). Of the excess (£2,606,600) over the original estimate more than 1½ millions is due to
40 opium, under abnormal circumstances. But there remains three quarters of a million arising under normal circumstances of finance. Disclaiming any credit for the opium surplus, we may, perhaps, in some degree, claim credit for the remainder of the surplus, as tending to show that the original estimates were cautiously made, and that economy has been so
45 enforced that the various departments have worked within the estimates of expenditure.

It will be prudent to defer commenting on the consequences which may hence accrue to the position of our finance, until it shall be possible to compare this important estimate with the actual figures after closing
50 the account. Whatever surplus shall ultimately be found to have accrued will be, indeed, needed to compensate for deficit of former years. And,

1872-73.]

if the result now brought out shall be sustained and confirmed, its importance will be manifest—especially if considered together with the secured surplus of the year 1870-71. There would, then, be occasion for observing how far the deficit of previous years had been counterbalanced by surplus of succeeding years. Our hope is that, on the combined result of a series of years, there will be a sufficiently even balance between the incomings and outgoings of the treasury; or, in other words, that, one year taken with another, we shall have received as much as we have disbursed for ordinary expenditure, irrespective of the extraordinary account. This is a primary object of our financial management, and we shall, with unremitting effort, strive to place the attainment of the object beyond question or dispute.

REGULAR
ESTIMATE,
1871-72.

The surplus arising from comparison between income and ordinary expenditure is irrespective of the extraordinary expenditure on reproductive public works, which is provided for by loan funds. An expenditure on this account of £3,626,000 was contemplated in the budget estimate; the regular estimate, however, shows only £1,736,800 so spent. This latter sum has been chiefly expended on the great canal works in the Cis-Sutlej States, from the river Sutlej; in the Agra division from the river Jumna, below Delhi; in Behar, from the river Sone; in Orissa, from the river Mahanadi; in the delta of the Godavery, for extension of the irrigation system there. There has, also, been some expenditure on important projects, in Oudh from the river Sarda; in Rohilkhand, from the river Ganges (called Eastern Ganges Canal); in the lower Doab, also from the Ganges: these canals being in addition to the well known Ganges Canal.

In respect to the State railways, there has been expenditure on the lines between Lahore and Peshawar; between Delhi and Rewaree; between Agra and Ajmír; also on the project for the lines between Multan and Kotrí in Sindh; between Nimar and Indor in Central India and between Dharwar and Karwar in the South Mahratta country.

That the estimated amount has not been more fully spent, is due chiefly to prolongation of the time allowed for the elaboration of the canal projects, and partly to the unavoidable delay in determining the narrow gauge for the State railways in India.

According to the form prescribed for the financial statement, the sum of £1,736,800, added to the £47,276,500 of ordinary expenditure, make up a total of £49,013,300, or 49 millions.

I now arrive at the third part of the subject, namely, the budget estimate for 1872-73.

BUDGET
ESTIMATE,
1872-73.

Commencing on the receipt side, we find 21 millions (£20,900,000) under the head of land revenue, the calculation in this instance being based, for the most part, on the estimates by the local Governments. The amount exceeds that of previous years, and (if adjustments and transfers be for the moment put out of question) is the largest sum of land revenue ever yet presented. The realization of this large estimate must, however, partly depend on the ensuing rainy season.

Under forests there is an increase of £154,400, against which must be set an increase on the charge side of £110,000. The department is at present largely engaged in furnishing sleepers for the State railways. Its receipts, indeed, for the most part represent the value of work done for the service of

BUDGET
ESTIMATE,
1872-73.

the State. The cash receipts from private persons and from the general public are not, as yet, considerable. The financial result is therefore unimportant; and there is no profit in the strictest and narrowest sense of the term. Such being the case, there is every reason for enforcing severe economy in the expenditure of a department which is not, ordinarily, and directly, remunerative. On the other hand, the expenses (on the whole increasing from time to time) do, really, subserve the national object of husbanding and preserving that wealth of forests wherewith nature has endowed many parts of India—a wealth which would, otherwise, be wastefully and destructively expended, even up to the limit of exhaustion and extinction. In this view, our forest expenditure may be regarded as indirectly remunerative.

In excise, there is a nominal decrease of £125,700, as the cost price of opium retailed in India is, henceforth, to be credited directly to opium, and not, intermediately, to excise.

The item of assessed taxes I shall reserve for remark hereafter.

The customs revenue is estimated at £2,570,000, being approximately the same as in the past year. It might be wished that the condition of trade warranted the anticipation of a large increase under this head of revenue. But the statistics of the foreign trade of India, for some years past, would not bear out such an estimate. It is not possible, at this place and time, to analyse these very interesting statistics; but I may here state that the figures for the last complete financial year, 1870-71, show the total value of imports and exports at 96½ millions; whereas the previous three years showed, for 1869-70, 100½ millions, for 1868-69, 105½ millions, for 1867-68, 99½ millions, respectively. So far, then, 1870-71 would seem to show a falling off as compared with previous years. Even those years fail to prove a tendency towards progressive increase. And the year just closed hardly promises more than a slight improvement. Such would *prima facie* be the inference from the totals of the figures. But the inference would become less discouraging on further examination. For, as is well known, the American war imparted, from 1862 to 1865, a violent impetus to Indian trade—an impetus, indeed, too strong to last. The average trade of the five years preceding the war amounted to 52½ millions per annum. For the five years since the war, the trade has averaged 102 millions. The average increase of the latter quinquennial period over the former, then, is very considerable, and might encourage the hope that India is not losing, but is, to a large extent, maintaining, the commercial position which special circumstances enabled her for a time to acquire. Reverting to the trade of the year 1870-71, I would ask remembrance of the fact that the trade consists of two elements, merchandise and treasure. Now the total merchandise imported and exported amounted to 88½ millions, which compares favorably enough with the 85½ millions of 1869-70, the 89 millions of 1868-69, and the 86½ millions of 1867-68. Again, for 1870-71, the exports amounting to 55½ millions represent the largest figure for any year since the American war, and, on the whole, this figure, representing the quantity of her produce which India sends to other countries, is the most important of all her commercial circumstances. Moreover, this good result was obtained, not in a year of peace, but in a year when the Franco-German war injured the trade with France and caused a diminution, by full two millions, of

the exports from India to that country. The returns for the current year, so far as yet made up, promise that this favorable position will be maintained. Whatever else, then, may, or may not, be inferred in respect to our trade generally, I may say that our export trade is such as to impart hopefulness to every well-wisher of British India. Again, the imports of 1870-71, valued at 33½ millions, exceed, somewhat, the 33 millions of the preceding year. Both years are, however, rather below the sums of the two previous years. But for this there is a particular reason, in that the tariff valuations of cotton goods and metals were reduced, in 1869, by 15 per cent. Had the valuation remained the same, then the value of imports for 1870-71 would have been higher than any year since the American war. Here again, therefore, no reason for discouragement appears. On the whole, however, it must be acknowledged that, with seasons generally prosperous, such as those we have lately had, we might have hoped that the Indian population would enlarge their consumption of European articles more than they are, apparently, doing at present.

But, if the last year and the current year have progressed fairly well as regards merchandise, why does the total trade show a diminution? Because the importation of treasure has greatly decreased of late. Even after the famous "drain of silver to the East" had become mitigated, still, during the first four years after the conclusion of the American war, India imported on an average 14 millions sterling worth of treasure annually. In 1870-71, however, only 5½ millions were imported. This fact may seem, at first sight, surprising. But the surprise would be lessened if it were remembered that, during the preceding years, the importations of treasure had been large, and that, during this year, the drawings by the Secretary of State in London were high, amounting to 9 millions. During the year 1871-72, the Secretary of State's drawings have been again large, £10½ millions, and, till lately, but little treasure has been imported. For some time past, however, the importation has been rising.

Turning to particular staples, the importation of piece goods is, in respect to quantity, satisfactory enough. But I would recall to mind what was pointed out in my last exposition, namely, that this alone would not prove a favorable condition of the trade. There have been, and perhaps still are, complaints of difficulty of disposing profitably of these goods in the market in the interior of the country. As regards exports, cotton (577½ millions of lbs.), jute (3¾ millions of cwts.), oil-seeds valued at 3½ millions sterling, coffee (33½ millions of lbs.), tea (13¼ millions of lbs.), indigo (101,421 cwts.), rice (15¾ millions of cwts.), for the year 1870-71, represent very satisfactory quantities; and there is good hope of these quantities being maintained, perhaps even exceeded.

The influence of the Suez canal upon the trade of India is becoming clearly perceptible. The proportion of steamers to sailing vessels in our ports is fast increasing. To and from Calcutta alone there passed through the canal during 1871 some 155 vessels carrying produce valued at 13 millions sterling. I am not able to give similar statistics for the other ports. But the facts from Calcutta will give some idea of the magnitude which the canal-borne trade is fast reaching. Not only are the less bulky and more valuable imports being carried by that route,

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such as pressed cotton and piece goods, but also some of the more bulky exports, such as oil-seeds and fibres, and even rice. The extent to which an important export, the fibre of jute, is being thus conveyed, may be regarded as remarkable: last year (1871) some 74 ships, laden with 5 633,000 cwts. of this staple, among other things, passed through the canal. This, of course, is contrary to the original expectation, according to which it was supposed that for the bulky articles the Cape route would be preferred. The fact that British coal is appearing among our imports, to the partial supersession of Indian coal, is probably attribut- 10 able to the canal. For the ships sailing by the Cape route, being no longer able to find freight in piece goods and the like, from England to India, are beginning to carry coal. On the other hand, despite the competition of the canal, the season has been very favorable for the sailing vessels on the old route, and freights have been more than usually 15 high.

I have made these observations here, because the state of trade greatly affects several items in the budget.

The next item is salt, under which there is an increase of £106,800, the revenue estimated being, however, a fraction less than the amount 20 actually received in 1870-71, that is, the year before last.

The amount set down for opium, £7,700,000, or 7½ millions, though but little below a normal estimate, is considerably less than that which we are receiving for the current year. This decrease arises, as respects Bengal, from the circumstances I have mentioned to-day, namely, the 25 short crop of last season. That failure of supply affected only one quarter of the financial year just closed. But it will affect three quarters of the present year. For these three quarters, then, the quantities are known and have been already notified. The Government has further- announced that it will not, in any case, sell *more* than 48,000 chests in 30 the calendar year 1873. This has reference to the formation of a substantial reserve of opium; an object which we have long had in view; which we have been prevented from attaining by misfortune of harvest; but which we still hope to attain. The prospects of the poppy are good as yet, but we must take 951 chests from the present crop to make up 35 the quantity advertised for sale in 1872. If the yield should prove large enough to provide this and leave a margin, it has been determined not to postpone longer the commencement of a reserve sufficient to enable us to mitigate the effects of such a failure of crop as we have experienced during the past year.

40 It has been shown to-day how greatly the prospect of short supply has caused prices to rise during the late financial year, and how, despite fluctuations, these prices remain high. If they were to continue steady at these rates, or nearly at these rates, then, notwithstanding the diminished quantity of the first three quarters, there would be a high 45 revenue. But no reliance can be placed on their remaining steady. If the yield of the coming harvest in China were to be large, the possibility of fluctuations in prices, perhaps even of a serious decline, must be borne in mind. And if such a decline were to occur while we were disposing of the short quantities from last season, the falling off in fiscal receipts 50 would be aggravated. Considering, then, that we must guard our financial arrangements against disturbances from failure in this precarious

branch, we have assumed the price of Bengal opium at Rs. 1,200 (or £120) per chest, a price which, though considerably less than the average of prices during the past year, is yet a good deal more than the Rs. 1,075 (£107-10s.) per chest assumed in my last budget. This estimate will, I trust, be found to be safe, as it provides for the contingency of a fall 5 in prices.

There remains the estimate of the number of chests of Malwa opium likely to be exported, which will pay the fixed duty per chest. In framing this estimate we must be guided by the prospects of the trade and of the harvest, and the quantity of Bengal opium to be brought 10 forward. These points having been considered, a probable number of 37,420 chests has been set down. Compared with 38,754 chests which paid duty in 1871-72, the number appears moderate. The reports of the Malwa crop now being gathered are quite satisfactory.

The estimated exports of Malwa opium combined with the 44,175 15 chests of Bengal will bring up the total estimate of Indian opium for China to 81,595 chests.

Year by year, experience brings home to us the conviction that there are few points of greater consequence to the prosperity of Indian finance than a safe and moderate estimate of the opium revenue. 20

The stamp revenue is expected to amount to £2,500,000, being almost the same as the figure shown for the year just closed. The progress of this item has been satisfactory for many years. Up to 1860, the highest annual sum received from stamps was three quarters of a million, £722,156. A revision of the law then took place, which 25 brought the yield up to 1½ millions per annum, £1,455,633. In 1862, a further revision was made, under which the revenue rose to close on two millions per annum in 1867. Then a series of revisions, more complete than any previous undertakings, were conducted, embracing both duties leviable on judicial proceedings and on legal instruments, 30 that is, both the judicial and the commercial branches; in these affairs our late colleague, Mr. F. R. Cockerell, had a laborious and honorable share. They were completed in 1870. The object aimed at was to simplify and readjust the scale of duties; to rather lower them on the whole; and, for increased returns, to rely mainly on improved 35 strictness of administration. In arranging this, regard was had to the model of the English stamp law, to local custom, to the convenience of trade, and to the interests of the various classes of suitors. Under the operation of the recent legislation, the revenue has risen from 2 millions in 1866-67 (£1,923,977,) to 2½ millions (£2,496,000) for 40 the year just closed. On the whole, it may be said that, in twelve years, the stamp revenue of India has risen from three quarters of a million to 2½ millions per annum.

The mint receipts, arising chiefly from the seignorage on the coining of bullion presented by the public for that purpose, are governed by the 45 considerations which I have mentioned regarding the importation of treasure. The two mints (at Calcutta and Bombay) have, for the last two years, been often in a state of enforced inaction. At present there is much more activity; there is, at times, a brisk importation of bullion; and the high rates of exchange justify hope; therefore, the estimate is 50 based upon a calculation of eight millions worth of silver bullion being

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probably presented for coinage during the year, and is taken at a figure higher than that of previous years. It is still, however, moderate in amount.

A decrease of £17,700 may be observed in post office receipts. This arises from improved arrangements respecting official postage, and does not indicate any falling off in the postage on private correspondence, which is, indeed, increasing steadily. A decrease of receipts arising from reduction in the weight of official correspondence, though it might cause the total out-turn to be diminished in the returns, would not show the financial effect adverse, but favorable, and would only be a proof of real economy. I have noticed, in former expositions, the development of postal correspondence, public and private, in this country; now represented by 86 millions of covers annually.

The electric telegraph receipts show a slight improvement of £13,400, which is the more satisfactory, in that the telegrams on the Government service are diminishing, while the telegrams sent by private persons and the public are increasing. There have been some modifications of tariff during the year. On the whole, the income of this department is but poor, especially as compared with its expenses. The fact that its annual income is just one quarter of a million (£249,000), while its charges are little short of half a million (£483,000), should supply an incentive for stringent economy in working expenses.

Under the head of interest there will be seen an increase of £102,000. This is owing to the completion of the investment in government securities of the specie reserve of the paper currency nearly to the full legal limit of six millions. The note circulation which has been generally in excess of ten millions, rising up to eleven millions, afforded full justification for this measure. At the present moment, indeed, the circulation is above thirteen millions; but its continuance at this high point cannot be depended upon. The profits of the currency (consisting of interest saved) are set down at £245,670, the expenses at £7,627: leaving a net annual gain of £238,043 to the State.

Under the heading of railways the gain by exchange is set down at £262,900: against which there is a slight set-off of £33,800 on the expenditure side as loss by exchange. This credit and this debit arise from the existing arrangement, which was explained in my exposition of 1869. Thereby we gain two pence, that is, the difference between 1s.-10d. and 2s., on every rupee we receive in India on account of the guaranteed railways, and lose two pence on every rupee we pay in India on that account. For many years, while the payments for the construction of the lines were large, and the receipts from traffic earnings were small, the Indian treasury suffered a net loss by the transaction. But now, as the lines are being completed and as the traffic is developed, the scale is turned the other way, and a compensation in the shape of net gain may be looked for.

The grand total of receipts stands at 48½ millions (£48,771,000), apparently a moderate estimate. The amount is less than the average of the past three years. But this does not indicate any falling off in the revenues of India. The difference less is attributable to the opium prospect, to loss of assessed taxes, and to transfer of some receipts from the imperial sheet to local funds.

On the whole, the State income, though not otherwise than flourishing, fails to evince that elasticity and that tendency to rapid growth which we might desire to see, and which would be looked for if the requirements of progress in the expenditure are to be met. And this should inspire us with caution in attempting to relinquish any existing revenue which can be collected without contravention of established economic principles. 5

Let us turn next to the expenditure side. Here will be seen an increase of £1,254,300 in civil charges. This is chiefly caused by increase in the grant for the opium department of £711,700: This arises, in 10 Bengal, from provision being made for the purchase of the yield of a full crop on a somewhat extended area; from a sanctioned enhancement of ten per cent. on the price paid to the cultivator; and from increased advance on a still further expansion of cultivation. If this expenditure shall be fully incurred, it will fructify in increased receipts under this 15 very important head.

There are other items of less importance in the civil branch which claim a passing notice. The decrease of £129,400 in interest on the debt is owing to the loan transactions in India, to which I shall presently advert. It would have been even greater had not some increased interest 20 payments accrued in England. It is deemed prudent to assume the increase of £30,300 under refunds and drawbacks, because the amount paid in the year just closed has been abnormally below the average. It has been necessary to provide an increase of £56,500 under land revenue by reason of the demands of some of the local Governments for grants 25 for the prosecution of surveys and settlements. The increase of £110,000 taken for forests is more than covered by the increase on the receipt side; the one largely depends on the other. The increase of £26,700 under salt does not indicate increased establishments, but has reference to replenishing of stock at Madras and at Sambhur in Raj- 30 pootana. The increase of £10,500 under mint provides for increased coinage on influx of bullion, and if incurred will be covered several times over by improvement on the receipt side. Of the increase of £96,200 on the post office, £50,000 are due to circumstances affecting the payment of the subsidy in England. The remaining increase arises from certain 35 charges relating to district posts being eliminated from the miscellaneous head and classed under the proper postal head. A similar explanation is applicable to the increase of £56,100 in minor departments; the item merely relates to transfers from the miscellaneous heading. The increase of £70,700 under law and justice arises partly from debits 40 in Madras, on account of process-serving, covered by improvement on the receipt side; partly from recasting of judicial establishments in Burma; and partly from savings having occurred in the year just closed, which cannot be reckoned on during the ensuing year. The increase of £4,200 in the ecclesiastical department is attributable to 45 the low state of that department during the past two years, vacancies being left unfilled which may require at any moment to be filled. The increase of £44,000 in political agencies is partly owing to important negotiations respecting territorial boundaries with the Shah of Persia. The increase of £119,200 under superannuation allowances springs from 50 the increased retirement of Civil Servants after the new

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orders concerning the annuity funds. Under existing arrangements, the Government has, in effect, to make up, at once, the capital value of the annuity of every civilian who retires. Before dealing with the capital of the funds we await the passing of an Act of Parliament. The diminution of £119,300 under the heading miscellaneous is caused entirely by transfers from this to other headings in consequence of improved classification in detail. The bulk of this item consists of £500,000, the estimated loss by exchange on the intended drawings by the Secretary of State of 13 crores of rupees at a rate of about one shilling and eleven pence and one-eighth for the rupee. The actual loss thus incurred in 1871-72 has been £395,480; the actual average rate of the drawings being 1s. and 11d. The present state of the exchanges warrants us in assuming a slightly improved rate, notwithstanding the substantial increase of drawings expected. The increase of £66,900 in the allotment for provincial services arises from the transfer to this head of several small services, such as museums, charitable grants, municipal rates, house-rent, and the like.

The total army charge is set down at £15,862,000, or nearly 16 millions, showing an increase of £118,100, which is due to expenditure for stores in England. In my last exposition I stated that the charge set down for the service within India itself at £12,410,000, or nearly 12½ millions, was the lowest exhibited since the war of the mutinies, and I have to-day vindicated that statement. The corresponding item in this budget is still lower, being £12,099,700, or just 12 millions. This, too, provides for some outstanding expenses of the Lushai expedition, and includes £40,000 for camps of exercise held to be so necessary for military efficiency. It should be mentioned, however, that £100,000 have been transferred from the military grant to that for public works, it having been arranged that the Barrack Department shall in future be subordinate to the Public Works Department.

Notwithstanding this transfer, the grant for public works ordinary shows a decrease of £99,300. The Council will bear in mind that the total grant of 2½ millions (£2,332,500) now shown, is irrespective of the grants for roads and civil buildings transferred to provincial services, and comprises partly works relating to departments under the Government of India, to agricultural improvement, and to the accommodation of the army. The decrease just shown cannot be regarded with complete satisfaction, even from a financial point of view. For, of late years, the necessities of our position have precluded us from adequately providing for the accommodation of the troops and for military sanitation generally. Under these stress many works, which probably must be executed sooner or later, have been unavoidably deferred or suspended, to the detriment of efficiency in some degree. I wish, indeed, there were the means of increasing the provision for these works, which were pointedly alluded to in my exposition of 1869; but, under the circumstances, we are not able to propose more.

The charge for guaranteed railway interest less net traffic receipts is set down at £1,800,000 or 1¾ million, an amount not exceeding the charges for the past two years, but still very high. The gross payment for this interest is taken at £4,724,000 or 4¾ millions, against which there is the set-off of £2,924,000 or nearly 3 millions traffic receipts in 1872-73.]

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India (net after allowing for working expenses), which leaves the charge above shown. In my last exposition I noticed the abatement which must be made from the credit which would otherwise attach to this great enterprise of railway communication in India; and I am still unable to present a favorable picture of the case from a financial point of view. 5 During the year just closed there have been, occasionally, serious fluctuations in the traffic, necessitating immediate retrenchment of working expenses. Two lines, the Sindh, Punjab and Delhi, and the Eastern Bengal, suffered much destruction in their works from violent and disastrous floods, and, in consequence, there was grave interruption in 10 traffic. At one time there was a marked falling off in the traffic of the line hitherto regarded as the best, namely, the East Indian line. Such circumstances caused anxiety, and are being specially investigated. Happily, there has been a remarkable recovery in the traffic of this line. The Great Indian Peninsula line has been fairly successful during the 15 year. The other lines, in Southern and Western India, which were not doing very well before, have, at all events, not fallen off of late. On the whole, the conditions of the guaranteed railways during the year have added one more to the many anxieties of Indian finance. The interests which the Government has at stake in these undertakings are acquiring really vast proportions. And the result is not, as yet, so favorable as might be expected. The traffic, as regards both passengers 20 and goods, is not advancing as it apparently ought to advance. There are doubts whether the fares are such as to attract the moving and travelling masses of a poor population like that of India. There are 25 fears that, in some cases, other modes of communication, by river and road, are proving competitors to the rail. The working expenses appear to be generally high; and, with so many railway companies, it becomes difficult to regulate them with uniform economy; on some lines the working expenses are proportionably too high; for all India they amount 30 to more than four millions sterling per annum: and a difference, more or less, in this great item produces a perceptible effect on the State finance of the year. I say this not at all to disparage the great services which have been rendered to the country under the present system, but to explain the actual contingencies which beset our finance, and to reiterate 35 what was indicated in my last exposition, namely, that no part of our State finance requires, at the present time, more firmness and vigilance than that which relates to the guaranteed railways.

Before finishing my explanation of the expenditure side, I must add that the estimate of interest on funded and unfunded debt has been 40 favorably affected by the recent loan transactions, the circumstances of which must be briefly recounted. The five per cent. loan of 16½ millions sterling, raised in 1857-58 to defray the expenses caused by the mutiny and rebellion of 1857, became repayable at the option of the Government on the 16th January 1872: that is to say, Government had 45 engaged not to discharge it until that date, but had reserved the power, after that date, of either discharging it at any time, or of continuing to pay the interest, the only condition being that at least three months' notice should be given of intended repayment. Considering the condition of the public credit of this country, we thought that the opportunity should 50 be taken to reduce the five per cent. rate of interest, and to offer, in

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lieu of that rate, $4\frac{1}{2}$ per cent. for seven years, and thereafter 4 per cent., or, failing the acceptance of that offer, to discharge the loan. Accordingly, on the 16th of September 1871, the intention of discharging the loan on expiration of the term was publicly notified to the stock-holders. At the same time, an offer was made to the stock-holders of transferring their holdings to a new transfer loan bearing $4\frac{1}{2}$ per cent. interest for seven years, and thenceforward 4 per cent. Government engaged not to discharge this loan for the next ten years at least. This offer was restricted to $13\frac{1}{2}$ millions out of the total amount of $16\frac{1}{2}$ millions. The residue, namely, $2\frac{3}{4}$ millions, was to be discharged absolutely by means of that portion of the cash reserve of the paper currency, which was, by law, available for investment in Government securities; and, in exchange for the coin thus paid out, there were to be issued to the currency department, at the market price of the day, Government promissory notes bearing 4 per cent. interest. In other words, the opportunity was to be taken of investing in Government securities a portion of the cash reserve of the paper currency, in strict accordance with the terms of the law, and of rendering that investment as advantageous as possible by making it assist in the substitution of a four per cent. for five per cent. rate of interest for a part of the national debt. This had become practicable from a combination of circumstances: the paper currency had expanded, justifying an extension of the legal limit for the investment of part of the reserve in Government securities; the cash reserve had for some time past been higher than the amount necessary by law to be kept up; and thus an opportunity was being looked for to complete the investment up to the legal limit.

The Government offer met with general acceptance from the stock-holders. The total of the stock (held partly in England and partly in India) tendered for conversion on the terms proposed, exceeded £13,500,000, the limit fixed for the operation. But as the Government had itself tendered a quarter of a million on behalf of the currency department, it was able, by withdrawing a portion of its own tender, to satisfy every stock-holder who had accepted the offer made by the Government within the time fixed. The currency investment has been duly effected in the manner above described. The loan of $16\frac{1}{2}$ having been thus discharged, the saving of interest during the next seven years will be £93,698 per annum, and thereafter £161,198 per annum, besides the immediate annual gain of £109,367 arising from the investment of £2,700,000 currency reserve.

The ordinary expenditure, then, proposed for the year amounts in all to £48,534,000, or $48\frac{1}{2}$ millions. The total, though, for reasons set forth to-day, above the amount shown for the year just over (£47,276,500, or $47\frac{1}{4}$ millions) is yet low as compared with the actuals of previous years, namely—

1870-71	... £49,930,695 or 50 millions.
1869-70	... £50,782,412 or $50\frac{1}{2}$ "
1868-69	... £52,036,722 or 52 "
1867-68	... £49,542,107 or $49\frac{1}{2}$ "

In other words, if these estimates shall be borne out by the actuals, we shall have got below the expenditure which prevailed five years ago, even allowing for the receipts (about £700,000) transferred to Province 1872-73.]

cial funds, and so deducted from both sides of the Imperial account, and that would probably be deemed satisfactory.

Such is the budget for 1872-73, with an income of £48,771,000, and an ordinary expenditure of £48,534,000, leaving a surplus of £237,000: the result may be described as equilibrium, secured by a small surplus of a quarter of a million. Doubtless the surplus is not as large as it ought to be, but we are not able, under the circumstances, to make it larger.

So much then for the income and ordinary expenditure of the year.

Besides the ordinary expenditure as above explained, there is proposed an expenditure for public works extraordinary of £2,615,000, or 2½ millions to be provided for from borrowed funds. To the general character of these works I have already adverted to-day.

According to the form prescribed for the financial statement, it will be seen that the addition of this amount brings up the total of ordinary and extraordinary expenditure to £51,149,000, or nearly 51½ millions.

I must now ask the Council to revert to the item of assessed taxes. The amount set down (£570,000) shows a decrease of £254,600 as compared with the previous year. From the explanation already given to-day, it will be apparent that last year's receipts were swollen by arrear collections, which will not recur. The present moderate figure, over half a million, is assumed in consequence of the proposal which I have now to make on behalf of the Government of India, that the light income-tax, which was imposed for the year 1871-72 just expired, be re-imposed, with certain modifications, for the new year 1872-73. I have accordingly to ask leave to introduce a Bill into this Council for that purpose. The measure is, manifestly, indispensable, because without it there would be a deficit in the budget, a position we could not contemplate so long as any fair alternative remained to us. The rate of assessment is proposed to be the same as that prescribed for the last year, namely, two pies in the rupee, or a fraction over one per cent. This rate is, as explained on previous occasions, the lowest at which the tax could be levied if retained at all.

The proposed modification above alluded to is this: last year, it will be recollected that the minimum income liable to assessment was raised 35 from Rs. 500 to Rs. 750 per annum; in other words, incomes below Rs. 750 a year were exempted. It is now proposed to raise the minimum to Rs. 1,000 per annum; in other words, to exempt incomes below Rs. 1,000 a year. Last year, the number of persons liable to assessment was, by altering the minimum, reduced from 480,000 to 240,000. By the further alteration now proposed, the number will probably be further reduced to 180,000. The first-named exemption caused an estimated sacrifice of £150,000. The exemption now proposed will involve a further estimated sacrifice of £63,000. We were glad last year to be able to propose so large an exemption. We have further satisfaction in being able to propose an additional exemption now.

The unfavorable reports in respect to the working of the tax received from some parts of India have been duly considered, and suitable orders have been issued to prevent any just cause of complaint arising. From some parts of India, however, the reports have been favorable; and in many parts there is an absence of complaints.

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Our general conclusion is, that, whatever trouble may have existed, has been mostly removed by the exemption of a large number of the tax-payers, and by the reduction of the rate. Whatever remnant of complaint may still exist, will, it is hoped, be effectually removed by
5 exempting incomes below Rs. 1,000 per annum. No poor or needy class would then be subject to the tax, which will be unquestionably what it was always intended to be—a tax on classes in comparatively easy circumstances.

With all its drawbacks, the measure has done right good service to
10 the finances. From 1860 up to the present time, it has, in various shapes, yielded $13\frac{1}{2}$ millions to the exchequer. If our finances, one year taken with another, on a series of years, shall be found now to occupy a strong position, the tax has borne a creditable part in producing that result.

During our earlier deliberations regarding the budget, in January
15 last, it was under discussion whether it would not be desirable to re-impose the tax on this occasion in combination with reductions of other taxation, either for the advantage of the mass of the people or for the remedy of politico-economic defects in our fiscal system. A mature and
20 complete consideration of these important and complicated questions has, however, been impracticable under existing circumstances, and the Government have felt that, in order to be just and satisfactory, the discussion of changes which may still be regarded as desirable must be reserved for a subsequent period.

In the course which is now being adopted we have the express concurrence of the Secretary of State.

While proposing the re-imposition of the income-tax for one year, we are unable to afford any indication as to whether the income-tax should or should not, in the future, be made an integral part of our fiscal
30 system.

The remarks made by the late Governor-General, Lord Mayo, in the budget debate of last year, seem applicable to the present occasion. He then said—

“We do not offer any opinion whether it” (the income-tax) “ought
35 “or ought not to be continued as a permanent part of our fiscal system.”
“ The Government and this Council ought to
“have an opportunity of fully considering the claims for relief of some
“other interests which may be considered as competing with the income
“tax in regard to the reduction of burden.”

From this explanation of the receipts and charges of the year, I
40 pass on to the fourth and last division of the subject, namely, ways and means and the cash balance account.

CASH
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The original estimate for 1871-72 showed the anticipation of a cash balance on the 31st March 1872 of £15,121,251, or 15 millions, in
45 India, and of £2,125,283, or $2\frac{1}{4}$ millions; in England; the total being £17,246,534, or $17\frac{1}{4}$ millions. This sum was the balancing item at the end of a vast estimate embracing many and various things besides the regular finance of Government. It is now, however, expected that the amount will be £24,346,015, or $24\frac{1}{4}$ millions (being seven millions in excess of the original estimate), of which £21,640,143, or $21\frac{1}{2}$ millions, will be in
50 India, and £2,705,872, or $2\frac{3}{4}$ millions, in England. This, again, is an entry.

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in the balancing of a great estimate, and is liable to disturbance. It is, however, checked by facts of the actual balances at the principal treasuries, up to recent dates, and it will probably be found nearly correct. I shall, therefore, explain briefly the difference of £7,099,481, or 7 millions, between the original and the final estimate. In the first place the opening balance was better than estimate by £2,102,381, of which £1,293,689, or $1\frac{1}{4}$ millions, arose in England, owing to the Secretary of State having raised money for the home requirements earlier than was expected. The remainder, namely, three-quarters of a million in India, is owing to the improvement already explained of the actual account as compared with the regular estimate, and to other minor causes.

Then, the surplus on the ordinary account of the year is now estimated, as already set forth, to be £2,606,600, or $2\frac{1}{2}$ millions more than the small surplus originally estimated, and the extraordinary expenditure is expected to be £1,889,200, or nearly 2 millions less than had been estimated.

The result of the account of the Secretary of State's bills is more favorable than estimate by £759,100 or three-quarters of a million; this large sum remaining yet to be paid in India, though already received and credited in England, and included in the cash balance there.

The net amount borrowed during the year appears to be £278,500 more than estimate, notwithstanding that the Secretary of State raised, in 1871-72, one million (£1,086,600) less than was expected. The apparent excess upon the whole account, notwithstanding this decrease, is due to a large amount of the 5 per cent. loan of 1856-57 (more than £1,300,000) remaining as yet unpaid to our creditors, and awaiting application for payment, though the amount has been transferred to the treasury from the currency department, as already explained.

These various causes account for a gross improvement in the balance of $7\frac{1}{2}$ millions. On the other hand, we have received £569,000, or half a million less railway capital than was expected. Thus, the net improvement of 7 millions sterling is fully explained.

The cash balances, which we expected to be high, have proved to be higher still. When the estimate was first put forth, the amount was held by some to be too high. In answer to criticism to the above effect, I stated in debate, before this Council, in March 1871—

“The matter is one of discretion in a large degree, and on consideration of all our requirements and liabilities for the coming year, I beg to assure the Council that the present amount of cash balances is not otherwise than satisfactory.”

These anticipations have been amply justified by the experience of the year just closed. In my last exposition it was stated expressly—“We duly bear in mind the amounts of the loans bearing interest at 5 per cent. during the coming year.”

Accordingly, we did, in September last, proceed to deal with this portion of the public debt, amounting to $16\frac{1}{4}$ millions, in the manner described already to-day. If ever there was an occasion when the cash balances ought to have been exceptionally high, it was this. The total cash in the treasuries, even at that time of the year when the amount is usually at its lowest point, amounted to 16 millions with, practically, a certainty of increase by January, when the period

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of discharge would mature. The possession of such a resource immediately available, facilitated the execution of a measure profitable to the State. It is true that the maintenance of such high balances did cause some cost to the State, appreciable indeed, though
5 hard of exact estimation. But that is vastly exceeded, on the other hand, by the advantage derived from the strong position of the treasury, and the high credit arising thereby.

Again, the loss to the public interest, caused by the maintenance of an extraordinarily high cash balance, cannot have been at all as
10 great as seems to have been supposed by many, or must have been outweighed by positive advantages. Objections have often been raised, which, if I apprehend aright, appear to amount to this, that these large sums of money have been lying either unemployed or inadequately employed. There might be some force in objections of
15 this sort, if the money were in the treasury vaults as it used to be under the old system. But under the new system, as is well known, a larger part of these balances is deposited in the three presidency banks; and the banks must naturally have had the use of the money for the benefit and convenience of the public. Regarding the character and extent of this
20 advantage, opinions may differ, but that there has been great accommodation hereby afforded to trade is unquestionable. And this has been repeatedly admitted by persons versed in the affairs of the money market.

This circumstance is not at all adduced as a reason, *per se*, for keeping up a high balance. All I say is this, that, a high balance having, for
25 a time, become necessary for State purposes, we have so managed that the balance should not, meanwhile, lie idle and infructuous, but should subserve indirectly the legitimate interests of commerce.

The new official year thus commences with a total estimated balance (England and India) of $24\frac{1}{2}$ millions, as just seen, of which, if the
30 estimates shall prove correct, $4\frac{1}{2}$ millions may be regarded as due to the accumulated surplus income of the two years 1870-71 and 1871-72. The estimate for the close of the year may be contrasted as follows:—

				31st March 1872.	31st March 1873.
				£	£
35	England	...	...	2,705,872	2,089,672
	India	...	...	21,640,143	17,541,543
			TOTAL	£24,346,015	£19,631,215

40

The estimated balance in India of £21,640,143 or $21\frac{1}{2}$ millions, at the beginning of the new year, is an amount almost unprecedented. This condition will not continue long; nor, indeed, ought it to continue.

By the end of the year, that is, on the 31st March 1873, the amount
45 in India, anticipated by estimate, stands at £17,541,543, or $17\frac{1}{2}$ millions. This sum, if it shall be realized, will be more than sufficient for the standard of our ordinary expenditure. But it would be premature to consider this until we are more sure than we can be now, of really possessing the money. It might, perhaps, be possible, the cash balances continuing high, to carry on the extraordinary expenditure after the close of
50 1872-73 without borrowing; and that, indeed, would be a happy result.

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We have provided, as has just been seen, for an extraordinary expenditure of £2,615,000 to be defrayed from loan funds; and, for all this, there is no loan to be raised either in England or in India during the year. The expenditure, therefore, is to be met from the existing loan funds which are included in the cash balance; and the funds in hand are sufficient; for one of the estimates appended to my last exposition showed a probable unexpended amount of £2,591,438 of loan money at the end of 1870-71, to be carried to account for 1871-72. The actual amount of loan money spent in 1870-71, which is appended to the present statement, raises this amount to £3,149,225. During the year 1871-72, the Secretary of State has borrowed £1,408,400, or $1\frac{1}{2}$ millions, in England, which, together with the balance from former years, and some minor receipts detailed in the appendix, makes up £4,580,685, or $4\frac{1}{2}$ millions. Against this there has been an extraordinary expenditure (according to latest estimate) of £1,932,500, or 2 millions, leaving £2,648,185, or $2\frac{1}{2}$ millions, in hand. This last-named sum represents the funds available for the extraordinary expenditure of the new year, 1872-73, as above shown.

There seems, occasionally, to have been an apprehension in some quarters that money ostensibly borrowed for extraordinary public works of a directly remunerative character, would really be used for the ways and means of ordinary finance. The observations on this point in my expositions of April 1870 and March 1871 were intended to correct any such apprehension, if it really existed, and to show that since 1869-70, when the system fairly began, we have acknowledged all the moneys thus borrowed to be a debt due to the public works department, which the treasury is bound to pay. Last year I exhibited an abstract account of these transactions, and a further account will be found among the appendices to-day. The substance of the explanation is that (subject to corrections of latest estimate) there have been borrowed up to date since 1869-70 £11,207,307 or $11\frac{1}{2}$ millions (including the Elphinstone land loan), of which £5,504,224, or $5\frac{1}{2}$ millions, have been expended on public works extraordinary, and £3,054,898, or 3 millions, have been lent to municipal and other public corporations (including the Elphinstone land advance); leaving £2,648,185, or $2\frac{1}{2}$ millions, in hand for these works, and for loans of the same character, in the year just beginning. There is to be no borrowing in the year: the amount in hand will suffice to cover the extraordinary expenditure of £2,615,000 proposed for the year, and may, indeed, leave a small margin. But then the advances made to municipalities must be borne in mind. We cannot say, at present, how much will be required in 1872-73 on this account, but the amount is likely to be not inconsiderable. Calcutta is borrowing for a market-place and for the extension of its drainage works, and Bombay for its immediate municipal necessities. Upon the whole, it seems likely that by the end of 1872-73 all the loan money in hand will have been paid away.

The fulfilment, by the general treasury, of the obligations springing from these affairs is regarded by us as most important.

If it be thought that money had been sometimes borrowed too long beforehand, and that the provision of funds has anticipated the expenditure, then it might be said, in answer, that there are times and seasons for borrowing, and that money must be taken up when it can be most

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advantageously obtained. And these points have, doubtless, been well determined by the authorities in England, where the money has been chiefly borrowed. At this time, after comparing the sum total raised with the sum total expended, there remains in hand no more than enough to defray the proposed expenditure on these works in the new year, and to cover the advances to be made to municipalities.

The bill which was adverted to in my last exposition to enable municipalities to contract financial obligations without legal question, and to practically prevent them from borrowing from any party save the State, has passed into law.

If, notwithstanding these considerations, the anticipated amount of cash balance were yet regarded as too large, I should rejoin further that the exchequer still owes a considerable sum on the capital account with the guaranteed railways. It may be observed that 93½ millions of railway capital have been, or are to be raised up to the end of 1871-72. This is to be counterbalanced by expenditure in England on account of the guaranteed railways, or by the payments for the construction of the lines in India. These taken together will, by the end of 1871-72, amount to 90 millions, leaving a debt due by the Indian treasury on this account of 3½ millions. This will be cleared off in due course; but the circumstance suggests carefulness, so as to maintain the cash balances in a strong and satisfactory condition.

Such, then, is my explanation of the cash balances; and I maintain that, if regard be had to the liabilities of the treasury,—in respect of the borrowed funds in hand for public works—of the unexpended railway capital—of the Secretary of State's bills outstanding—in respect of the assets of the local funds and provincial services—of the various deposits received under many laws and various circumstances—and in respect of the absolute avoidance of borrowing for ordinary service of the State—then the amount will be found satisfactorily high, though not too high.

In adverting to the main heads of the general cash account, I will not repeat the general description given in previous expositions, which description is applicable to the accounts both in England and India given among the appendices to-day. It will be most convenient to summarize the total figures of the two accounts in England and India taken together, as the one so much depends on the other. Suffice it to state that, on the receipt side, besides the opening balance of 24½ millions and the Government income of 48½ millions as shown to-day, there are railway traffic receipts, recoveries and deposits, local funds, and receipts on remittance or suspense account which bring up the total to £133,500,015, or 133½ millions. On the payment side, besides the Government expenditure, ordinary and extraordinary, of 51 millions as shown to-day, there are railway working expenses, advances recoverable, deposits to be repaid, sums payable on bills drawn by the Secretary of State, disbursements for construction of railways in India, and some transfer entries, which bring up the total to 115 millions. This deducted from the total on the receipt side, leaves the anticipated sum of £19,631,215, or 19½ millions, already mentioned as the probable balance at close of the year, that is, on the 31st March 1873.

The appendix shows, in separate columns, an abstract of the cash account kept by the Secretary of State in London on account of India. On 1872-73.]

the receipt side there is the opening balance of $2\frac{3}{4}$ millions (£2,705,812); the amount to be received on bills of exchange drawn on India is set down at 13 millions; there will be £2,146,700, or more than 2 millions, railway capital subscribed; all which, together with some smaller items, make up a total of 18 millions (£18,110,472). On the payment side there will be an expenditure in England on account of India of $13\frac{1}{4}$ millions (£13,327,000); there will be $1\frac{1}{4}$ million (£1,160,400) paid on the remittance account, and there will be $1\frac{1}{2}$ million (£1,526,400) of withdrawals of railway capital. These, together with some smaller items, make up a total of 16 millions (£16,021,800), which, deducted from the total on the receipt side, leaves a probable closing balance on 31st March 1873 of 2 millions (£2,089,672), which amount appears to be moderate.

In the cash accounts thus summarized there are only two points which need be selected for remarks: they are, the income from local 15 funds, and the Secretary of State's bills.

The income of the local funds was, in my exposition for 1871-72, set down at £4,028,473, or 4 millions for all India. To this was to be added whatever might be received from special taxation which was then being devised by the several local Governments. Since that time the 20 contemplated measures have been legally authorized and carried out in the various provinces of British India. In Bengal the bill for the road cess has passed into law, but the levy has not yet commenced. The future yield is not yet known, but is calculated at £84,000 per annum, at present, with prospect of increase.

In the North-Western Provinces there is an acreage tax in permanently settled districts, and a five per cent. cess on annual value in temporarily settled districts, estimated to yield £211,000 per annum.

In the Punjab and Oudh there are Acts for levying rates on land, estimated to yield £132,000 and £31,000 per annum respectively.

In the Madras Presidency there are Towns Improvement Act and the Local Funds Act, which seem calculated to yield in all £235,000 per annum.

In the Bombay Presidency there are Acts for taxing non-agricultural classes and for a new police rate, estimated to yield £61,000 per annum.

The receipts from all these local sources during the broken periods of the year just closed—the first year of their introduction—have not yet been fully returned; indeed, time hardly yet admits of such a return being complete, but the total appears to be £754,000, or three quarters of a million. The greater part falls on the land, and a small part only on trades and professions. The figure is, however, approximate, and is subject to correction hereafter. In this way, the latest revised estimate for the year raises the total from 4 millions to $4\frac{3}{4}$ millions, or £4,782,473.

This statement may not be fully complete; but, in so far as it is complete, it represents the aggregate of local taxation in British India. And certainly the amount does not seem excessive, as compared with the population and resources of the country and with the State income.

As regards the bills to be drawn on India by the Secretary of State, the total has been seen in the cash account to amount to 13 millions 50 sterling for the year 1872-73. The loss by exchange on these operations

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is set down in the budget estimate at £500,000. In other words, England is, during the year, to draw 13 millions from India, and the charge upon India for that operation is expected to amount to half a million. Thus India has to pay $13\frac{1}{2}$ millions in all. The amount, though serious, can be well accounted for, and can be discharged without embarrassment in the present state of the cash balances in India. It arises in this way. The expenditure ordinary in England on account of the Government of India is estimated at £8,236,800, or $8\frac{1}{4}$ millions; extraordinary (chiefly stores), for works in progress in India, at £410,200, or nearly half a million; the guaranteed railway interest at £4,680,000, or $4\frac{3}{4}$ millions. These three items make up the $13\frac{1}{4}$ millions, or £13,327,000. And, inasmuch as there is to be no money borrowed, and as the railway capital paid up during the year, £2,146,700, is, for the most part, to be "withdrawn," that is, expended in England on account of the Indian railways, it follows that there is no resource but to draw on India for 13 millions.

The 13 millions for 1872-73 represent the largest sum ever yet set down on this account. The average yearly sum during the previous five years amounted to £5,666,849, or $5\frac{1}{2}$ millions, and that for the preceding five years to £6,114,083, or upwards of 6 millions. One cause of the increase is, of course, the growth of the expenditure. Another cause is this, that, for several years, large sums (amounting to several millions yearly) of railway capital were paid in by the guaranteed companies in England. These sums were for the construction of the railways in India, and India repaid the debt by advances for the works on the spot. The arrangement *pro tanto* lessened the amount to be drawn by England on India. At this time, however, the works are approaching completion, and the capital subscriptions in England are becoming less and less. A further cause of increase is this, that the borrowings for Indian public works extraordinary have been effected in England. The receipt of loan money there has, proportionably, lessened the amount to be drawn from India by bills. This year, however, there is to be no borrowing in England, and the amount receivable from India is not diminished by that reason. Lastly, in the three years 1867-70, a net sum of £5,812,728 ($5\frac{3}{4}$ millions) was received at the home treasury, from Her Majesty's Government, in repayment of advances made in India for the Abyssinian expedition, and to this extent the Secretary of State's bills on India were reduced in those years. But however complete the explanation may be, there remains the fact of the very large sum to be drawn from India—a politico-economic fact of some gravity, in relation to exchange and to trade. There is neither space nor time for entering on the subject on this occasion; but the circumstances cause special interest to attach to the returns of the export trade of British India. If the country is to continue satisfactorily to bear these annual drawings of money by England, she must look more and more to disposing of her products to other nations and to obtaining thereby the resources which can alone enable her to make the annual payments in England, without monetary or other derangement within her own limits.

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Before concluding I must touch on some few matters connected with finance.

The Government savings banks of all kinds (including those at the Presidencies, in the districts, and in regiments) have now 35,600 deposits 1872-73.]

sitors, and £1,126,772, or near $1\frac{1}{4}$ million of deposits. The figures, if not absolutely large as yet, are annually increasing. The new district savings banks in the interior of the Bengal Presidency have, within the past year, increased from 49 to 92 in number, the number of depositors up to recent date being 2,300, and the deposits amounting to £40,374. These are only beginnings; but they will grow.

There are now 362 money order offices in British India; the number of orders issued* were, in 1870-71, 242,700, amounting in value to £1,300,600, or $1\frac{1}{4}$ million. These figures are the highest yet attained. The arrangements for a money order system between India and England (so long delayed) are now nearly complete, and will, I hope, soon be announced.

The paper currency has been already adverted to in a former part of this exposition. It will suffice to add that some effect has been given to the arrangements promulgated last year for establishing currency agencies at the district treasuries in the interior, in addition to the previously existing offices of issue. Some 27 of these agencies have been set on foot, and more are in contemplation. In all they have had consigned to them notes to the value of a quarter of a million sterling. This, too, is a commencement, and further development is hoped for. It is matter for regret that the new five-rupee notes have not yet been received from England.

The loan operations explained to-day have simplified the classification of the national debt of India, which may now be abstracted as follows: There are $10\frac{1}{2}$ millions (£10,663,600) bearing $5\frac{1}{2}$ per cent. interest, raised in the troublous times consequent on the war of the mutinies. This loan will not be repayable, under its conditions, until 1879, at which time there will accrue to Government an option of repaying. There is more than one million at 5 per cent. (£1,100,000). This is made up of debentures (for periods of 10 and 15 years) issued in 1867-68 to raise money for public works. There are 16 millions (£16,033,650) at $4\frac{1}{2}$ per cent.; this includes the large item to which I have just been referring, and which, after seven years, is to bear only 4 per cent. It also includes the loan received from Maharaja Holkar and some remnant of former loans. The next item consists of $36\frac{3}{4}$ millions (£36,778,775) bearing 4 per cent. interest. This is a consolidated head comprising the loans raised up to 1832, commonly called "the sicca fours," the loans raised in 1842, and in subsequent years up to 1854, and the loans of 1869, one received from the Maharaja of Patiala and the other raised in open market. There is a small item of £67,900 at $3\frac{1}{2}$ per cent. Besides these rupee loans in India, there are the loans raised in England bearing 4 and 5 per cent. interest (departmentally called the "sterling" loans, the amounts being expressed, and the interest payable, in pounds sterling). These now amount to 39 millions (£39,036,017), of which £22,200,000 bear interest at 5 per cent., and the rest, except a petty sum of £20,917, on which no interest is paid, bear interest at 4 per cent. They have been chiefly, though not entirely, raised at various times since the war of the mutinies in 1857. Thus, of the grand total of 104 millions of "rupee" and "sterling" loans, no less than 54 millions already bear 4 per cent. interest, and 16 millions now at $4\frac{1}{2}$, of which the greater part will bear only 4 per cent. after brief terms of years. Thirty-four millions

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are bearing a higher rate, and we are only prevented from dealing with these with a view to reduction of interest, by the obligatory conditions on which they were raised. The figures just given do not include the £6,299,700 East India stock, for the redemption of which a guarantee fund is accumulating.

Now, inasmuch as the 4 cent. stock in England and India has, during the year, commanded higher prices than ever, generally as much as 98 and 99 for 100 pounds or rupees, and has sometimes reached, even slightly exceeded, par, it would seem that the credit of the Government of India in the money market may be measured by a rate of something less than $4\frac{1}{2}$ per cent. On the whole, the public credit of British India has never at any period been in a more satisfactory position than during the year just closed.

I shall finish this exposition by summarizing its chief points. It has been shown, then—

that, for 1870-71, there is an actual surplus of £1,482,990 or $1\frac{1}{2}$ million of income over ordinary expenditure, chiefly owing to increment of opium receipts;

that, however, without this increment, there is still a moderate surplus owing to other and more normal causes;

that, for 1871-72, there is an estimated surplus of £2,700,000 or $2\frac{3}{4}$ millions of income over ordinary expenditure, of which three-fourths are attributable to increase of opium receipts, and one-fourth to ordinary management of the finances;

that the ordinary expenditure has been reduced to a point lower than any which has been seen during the past five years;

that, for 1872-73, there is estimated an equilibrium between income and ordinary expenditure, supported by a small surplus of £237,000, or one quarter of a million;

that the Income-Tax Act for 1871-72 having expired on the 31st of March 1871, its re-imposition is proposed for 1872-73, at the same rate as before, namely a fraction above one per cent., but with the exemption of incomes between Rs. 750 and Rs. 1,000 per annum, causing the release of 60,000 tax-payers, and a sacrifice of only £63,000 of revenue;

that the concession of increased financial control to the several local Governments, in respect to certain provincial services, is working well, apparently affording satisfaction to the local authorities, and fostering a spirit of economy in administration;

that, in addition to the previously existing local funds, fresh provincial taxation has been imposed in the various provinces of India, probably amounting in the aggregate to £750,000 per annum;

that at the commencement of 1872-73, there remain upwards of $2\frac{1}{2}$ millions in hand of money borrowed for public works extraordinary, after deducting expenditure and advances on these works up to date;

that it is proposed to meet $2\frac{1}{2}$ millions of expenditure on these works, during 1872-73, without borrowing either in England or India;

that the cash balances in India, estimated at $21\frac{1}{2}$ millions on 31st March 1872, are satisfactorily large, though not too high for the requirements of the country, present and prospective;

that the Indian Treasury is to meet 13 crores of bills to be drawn by the Secretary of State in England upon India during 1872-73;

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that the rate of interest on $13\frac{1}{2}$ millions of the national debt has been reduced from 5 per cent. to $4\frac{1}{2}$ for seven years, and thereafter to 4 per cent., and that $2\frac{1}{4}$ millions have been discharged ;

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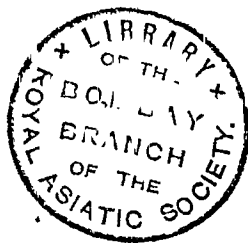
that the investment of the specie reserve of the paper currency has been completed nearly up to the legal limit of six millions sterling ;

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that the establishment of district savings banks is gradually, but surely, extending in the interior of the country.

I must now conclude this exposition. In previous expositions I have dwelt on the principles which have guided our financial policy. There is now nothing to be added thereto. I can only say that, throughout the 10 past year, those principles have been followed, and have, on this occasion, with your Lordship's support, been firmly maintained. And, certainly, a retrospect of results should encourage us to persevere in our present course for the ordinary finance is in a condition of surplus ; expenditure is kept within limits ; the treasury is full ; and the State credit is 15 high—higher, perhaps, than it has ever been. But, though something has been accomplished, still much remains for accomplishment in the way of fiscal and economic improvement ; and that should serve as a further incentive for perseverance.

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APPENDICES.

ENGLAND

Budget Estimate

REVENUES AND RECEIPTS.	Actuals, 1870-71.	Budget Estimate, 1871-72.	Regular Estimate, 1871-72.	Increase.	Decrease.	Budget Estimate, 1872-73.	Budget compared with Regular.
	£	£	£	£	£	£	£
I.—LAND REVENUE ...	20,622,823	20,709,700	20,567,000	...	142,700	20,900,000	+333,000
II.—TRIBUTES AND CONTRI- BUTIONS FROM N. STATES	719,421	730,100	756,000	25,900	...	728,000	—28,000
III.—FOREST ...	453,442	573,400	426,800	...	146,600	581,000	+154,400
IV.—EXCISE ON SPIRITS AND DRUGS ...	2,374,465	2,351,100	2,361,700	10,600	...	2,238,000	—125,700
V.—ASSESSED TAXES ...	2,072,025	600,000	624,600	224,300	...	570,000	—254,000
VI.—CUSTOMS ...	2,610,789	2,556,800	2,560,200	3,400	...	2,570,000	+9,800
VII.—SALT ...	6,106,280	6,190,000	5,996,200	...	193,800	6,103,000	+106,800
VIII.—OPIUM ...	8,045,459	8,038,500	8,253,400	1,214,900	...	7,700,000	—1,553,400
IX.—STAMPS ...	2,510,316	2,542,100	2,496,000	...	46,100	2,500,000	+4,000
X.—MINT ...	33,400	40,600	90,600	50,000	...	160,000	+69,400
XI.—POST OFFICE ...	805,235	865,600	803,700	...	61,900	786,000	—17,700
XII.—TELEGRAPH ...	247,010	245,600	235,800	...	10,000	249,000	+13,400
XIII.—LAW AND JUSTICE	746,898	466,600	377,000	...	89,600	408,000	+31,000
POLICE ...	270,971	...	...	...	...	...	...
XIV.—MARINE ...	333,145	237,900	196,500	...	41,400	192,000	—4,500
EDUCATION ...	61,610	...	...	...	...	...	...
XV.—INTEREST ...	341,001	339,900	364,000	24,100	...	466,000	+102,000
XVI.—MISCELLANEOUS ...	1,181,688	928,300	970,100	41,800	..	932,000	—38,100
TOTAL ...	40,535,958	47,416,200	48,279,200	863,000	...	47,081,000	—1,193,200
ARMY ...	902,148	819,000	883,300	64,300	...	889,000	+5,700
PUBLIC WORKS, ORDINARY ...	119,134	109,900	84,700	...	25,200	48,000	—36,700
PUBLIC WORKS, IRRIGATION ...	485,537	496,300	470,600	...	25,700	482,000	+11,400
RAILWAYS ...	310,908	257,500	258,700	1,200	...	271,000	+12,300
TOTAL ...	51,413,685	49,088,900	49,976,500	877,600	...	48,771,000	—1,205,500
DEFICIT, INCLUDING P.W. EXTRA- ORDINARY ...	...	3,532,600	...	...	...	2,378,000	...

FORT WILLIAM;
 FINANCIAL DEPARTMENT,
 The 6th April 1872,

G. FITZGERALD,
Offg. Deputy Comptroller General.

1872.]

THE HONORABLE SIR RICHARD TEMPLE, K. C. S. I.

419

AND INDIA.

mate, 1872-73.

EXPENDITURE.	Actuals, 1870-71.	Budget Estimate, 1871-72.	Regular Estimate, 1871-72.	Increase.	Decrease.	Budget Estimate, 1872-73.	Budget compared with Regular.
	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT ...	5,309,654	5,372,000	5,473,400	101,400	...	5,344,000	—129,400
2.—INTEREST ON SERVICE FUNDS AND OTHER ACCOUNTS ...	530,491	528,100	494,500	...	33,800	527,000	+32,500
3.—REFUNDS AND DRAWBACKS ...	356,431	336,000	236,700	...	49,300	317,000	+30,300
4.—LAND REVENUE ...	2,422,856	2,530,800	2,440,600	...	90,100	2,497,000	+56,500
5.—FOREST ...	373,349	451,100	335,000	...	116,100	445,000	+110,000
6.—EXCISE ON SPIRITS & DRUGS ...	293,477	294,700	135,200	...	159,500	147,000	+11,800
7.—ASSESSED TAXES ...	43,991	43,400	30,600	...	12,800	31,000	+400
8.—CUSTOMS ...	186,991	193,400	184,900	...	8,500	189,000	+4,100
9.—SALT ...	389,964	462,700	462,300	...	400	489,000	+26,700
10.—OPIMUM ...	2,014,425	2,102,900	1,611,300	...	491,600	2,323,000	+711,700
11.—STAMPS AND STATIONERY ...	323,621	255,500	104,600	...	150,900	87,000	—17,600
12.—MINT ...	66,259	71,700	78,500	6,800	...	69,000	+10,600
13.—POST OFFICE ...	754,940	755,100	661,800	...	103,300	748,000	+66,200
14.—TELEGRAPH ...	492,545	515,500	467,100	...	48,400	483,000	+15,900
15.—ADMINISTRATION ...	1,360,171	1,437,200	1,519,400	82,200	...	1,530,000	+10,600
16.—MINOR DEPARTMENTS ...	212,897	235,800	221,900	...	13,700	278,000	+58,100
17.—LAW AND JUSTICE ...	2,996,190	2,427,100	2,297,300	...	129,800	2,368,000	+70,700
18.—POLICE ...	2,275,335	...	...	...	...	...	...
19.—MARINE ...	759,770	777,800	606,900	...	170,900	639,000	+32,100
20.—EDUCATION ...	624,990	...	...	...	...	...	...
21.—ECOLOGICAL ...	163,644	164,900	156,800	...	8,100	161,000	+4,200
22.—MEDICAL SERVICES ...	523,488	170,400	175,800	5,400	...	178,000	+2,200
23.—PRINTING ...	200,867	...	...	...	...	...	...
24.—POLITICAL AGENCIES ...	352,966	299,900	303,000	3,100	...	347,000	+44,000
25.—ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS ...	1,756,973	1,720,800	1,722,000	1,200	...	1,730,000	+8,000
26.—SUPERANNUATION, RETIRED AND COMPASSIONATE ALLOWANCES ...	1,450,763	1,425,700	1,450,800	25,100	...	1,570,000	+119,200
27.—MISCELLANEOUS ...	1,391,689	1,192,700	1,084,300	...	108,400	965,000	—119,300
28.—ALLOTMENT FOR PROVINCIAL SERVICES ...	200,000	4,799,300	4,851,100	51,800	...	4,919,000	+66,900
TOTAL CIVIL ...	27,607,235	28,564,100	27,145,700	...	1,418,400	28,400,000	+1,254,300
ARMY ...	16,074,799	15,934,000	15,743,900	...	240,100	15,862,000	+118,100
PUBLIC WORKS ORDINARY ...	3,945,967	2,385,000	2,431,300	66,300	...	2,332,000	—99,300
RAILWAYS ...	207,883	235,500	134,200	...	101,300	140,000	+6,800
GUARANTEED INTEREST ON RAILWAY CAPITAL, LESS NET TRAFFIC RECEIPTS*	1,834,811	1,856,900	1,821,400	...	35,500	1,800,000	—21,400
TOTAL ORDINARY ...	49,930,695	49,005,500	47,276,500	...	1,729,000	48,534,000	+1,257,600
PUBLIC WORKS EXTRAORDINARY ...	1,167,810	3,826,000	1,736,800	...	1,899,200	2,615,000	+878,200
TOTAL ...	51,098,505	52,831,500	49,013,300	...	3,618,200	51,149,000	+2,135,700
SURPLUS EXCLUDING P. W. EXTRAORDINARY ...	1,482,990	93,400	2,700,000	...	...	237,000	...
SURPLUS INCLUDING P. W. EXTRAORDINARY ...	316,180	...	063,200	...	...	...	...
GUARANTEED INTEREST* ...	4,391,592	4,638,600	4,592,600	...	...	4,724,000	...
NET TRAFFIC RECEIPTS ...	2,556,781	2,781,700	2,771,200	...	...	2,924,000	...
GUARANTEED INTEREST, LESS NET TRAFFIC RECEIPTS ...	1,834,811	1,856,900	1,821,400	...	...	1,800,000	...

HUGH SANDEMAN,

Offy Comptroller General.

R. B. CHAPMAN,

Secy. to the Govt. of India.

IN

Budget Estimate,

RECEIPTS.	Actuals, 1870-71.	Budget Estimate, 1871-72.	Regular Estimate, 1871-72.	Increase.	Decrease.	Budget Estimate, 1872-73.	Budget compared with Regular.
	£	£	£	£	£	£	£
I.—LAND REVENUE ...	20,622,823	20,702,700	20,567,000	...	142,700	20,900,000	+333,000
II.—TRIBUTES AND CONTRI- BUTIONS FROM NATIVE STATES ...	719,421	730,100	756,000	25,900	...	728,000	—28,000
III.—FOREST ...	453,442	573,400	426,600	...	146,800	581,000	+154,400
IV.—EXCISE ON SPIRITS AND DRUGS ...	2,374,465	2,351,100	2,361,700	10,600	...	2,236,000	—125,700
V.—ASSESSED TAXES ...	2,072,025	600,000	824,600	224,600	...	570,000	—254,600
VI.—CUSTOMS ...	2,610,789	2,556,800	2,560,200	3,400	...	2,570,000	+9,800
VII.—SALT ...	6,106,280	6,180,000	5,996,200	...	183,800	6,103,000	+106,800
VIII.—OPIMUM ...	8,045,459	8,038,500	9,253,400	1,214,900	...	7,700,000	—1,553,400
IX.—STAMPS ...	2,510,316	2,542,100	2,496,000	...	46,100	2,500,000	+4,000
X.—MINT ...	33,400	40,600	90,800	50,000	...	160,000	+69,400
XI.—POST OFFICE ...	805,235	865,600	803,700	...	61,900	780,000	—17,700
XII.—TELEGRAPH ...	227,402	213,600	212,700	...	800	236,000	+23,300
XIII.—LAW AND JUSTICE ...	746,898	466,600	377,000	...	89,600	408,000	+31,000
POLICE ...	270,971	...	...	...	...	...	...
XIV.—MARINE ...	333,145	237,900	194,600	...	43,300	192,000	—2,600
EDUCATION... ..	61,610	...	...	...	...	...	...
XV.—INTEREST ...	297,715	309,900	333,000	23,100	...	451,000	+118,000
XVI.—MISCELLANEOUS ...	1,081,829	841,300	866,300	25,000	...	828,200	—38,100
	19,370,225	47,267,200	48,119,600	852,400	...	40,949,200	—1,170,400
ARMY ...	943,685	805,000	860,800	55,800	...	839,900	—20,900
PUBLIC WORKS, ORDINARY ...	119,134	109,900	84,700	...	25,200	48,000	—36,700
PUBLIC WORKS, IRRIGATION ...	485,537	496,300	470,600	...	25,700	482,000	+11,400
RAILWAYS ...	310,908	257,500	258,700	1,200	...	271,000	+12,300
TOTAL ...	51,235,489	48,935,900	49,794,400	858,500	...	48,590,100	—1,204,300

FORT WILLIAM;
FINANCIAL DEPARTMENT, }
The 6th April 1872,

G. FITZGERALD,
Offg. Deputy Comptroller General.

1872.]

THE HONORABLE SIR RICHARD TEMPLE, K. C. S. I.

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DIA.

1872-73.

EXPENDITURE.	Actuals, 1870-71.	Budget Estimate, 1871-72.	Regular Estimate, 1871-72.	Increase.	Decrease.	Budget Estimate, 1872-73.	Budget compared with Regular.
	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT ...	2,980,180	2,942,300	3,036,400	94,100	...	2,875,100	-161,300
2.—DITTO SERVICE FUNDS, &c. ...	530,491	528,100	494,500	...	36,600	527,000	+32,500
3.—REFUNDS AND DRAWBACKS ...	326,431	336,000	286,700	...	49,300	317,000	+30,300
4.—LAND REVENUE ...	2,422,856	2,530,600	2,440,500	...	90,100	2,407,000	+56,500
5.—FOREST ...	373,349	461,100	335,000	...	116,200	445,000	+110,000
6.—EXCISE ON SPIRITS AND DRUGS ...	293,477	294,700	135,200	...	159,500	147,000	+11,800
7.—ASSESSED TAXES ...	43,901	43,400	30,600	...	12,800	31,000	+400
8.—CUSTOMS ...	186,991	193,400	184,900	...	8,500	189,000	+4,100
9.—SALT ...	399,984	462,700	462,300	...	400	499,000	+26,700
10.—OPIUM ...	2,014,425	2,102,900	1,611,300	...	491,600	2,323,000	+711,700
11.—STAMPS AND STATIONERY ...	134,418	141,200	87,000	...	53,600	76,900	+10,700
12.—MINT ...	59,532	59,400	73,300	13,900	...	86,400	-13,100
13.—POST OFFICE ...	613,041	646,000	611,900	...	34,700	658,400	+46,500
14.—TELEGRAPH ...	380,588	351,500	384,400	32,900	...	364,000	+20,400
15.—ADMINISTRATION ...	1,153,192	1,229,800	1,219,800	...	10,000	1,244,800	+23,000
16.—MINOR DEPARTMENTS ...	212,897	235,800	221,900	...	13,700	278,400	+56,100
17.—LAW AND JUSTICE ...	2,996,190	2,427,100	2,297,300	...	129,800	2,968,000	+70,700
POLICE ...	2,275,335	...	...	...	...	...	...
18.—MARINE ...	475,692	487,100	394,700	...	92,400	394,400	+300
EDUCATION ...	624,690	...	...	...	...	...	...
19.—ECCLESIASTICAL ...	153,544	164,900	156,800	...	8,100	161,000	+4,200
20.—MEDICAL ...	523,488	170,400	175,800	5,400	...	178,000	+2,200
PRINTING ...	200,897	...	...	...	...	...	...
21.—POLITICAL AGENCIES ...	291,459	262,900	256,000	...	6,900	292,000	+36,000
22.—ALLOWANCES AND ASSIGN- MENTS UNDER TREATIES AND ENGAGEMENTS ...	1,737,637	1,701,500	1,702,700	1,200	...	1,710,700	+8,000
23.—SUPERANNUATION, RETIRED, AND COMPASSIONATE AL- LOWANCES ...	655,969	628,700	618,800	...	9,900	737,000	118,200
24.—MISCELLANEOUS ...	1,010,530	866,300	745,500	...	120,800	661,300	-34,200
25.—ALLOTMENTS FOR PROVIN- CIAL SERVICES ...	200,000	4,799,300	4,851,100	51,800	...	4,918,000	+66,900
	23,271,082	24,057,500	22,815,000	...	1,242,500	23,969,000	+1,154,000
ARMY ...	12,549,303	12,410,000	12,150,000	...	260,000	12,099,700	-50,300
PUBLIC WORKS ORDINARY ...	3,811,167	2,320,800	2,335,500	64,700	...	2,288,500	-97,000
RAILWAYS ...	287,883	235,500	134,200	...	101,300	140,000	+5,800
	39,899,435	30,023,800	37,484,700	...	1,539,100	38,497,200	+1,012,500
PUBLIC WORKS EXTRAOR- DINARY ...	1,116,067	3,236,500	1,580,000	...	1,656,500	2,204,800	+624,800
TOTAL ...	41,105,502	42,260,300	39,064,700	...	3,195,600	40,702,000	+1,637,300

HUGH SANDEMAN,

Offg. Comptroller General.

R. B. CHAPMAN,

Secy. to the Govt. of India.

Receipts and Payments in England and India during the Year 1870-71.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE ...	£ 2,892,483	£ 13,940,451	£ 16,832,934	12.—ORDINARY EXPENDITURE ...	£ 8,198,450	£ 39,899,436	£ 48,096,885
2.—ORDINARY INCOME ...	178,197	61,235,489	61,413,686	13.—GUARANTEED INTEREST ON RAILWAY CAPITAL ...	4,352,713	38,879	4,391,592
3.—RAILWAY TRAFFIC RECEIPTS ...	.....	6,630,758	6,630,758	14.—EXTRAORDINARY EXPENDITURE ...	61,743	1,116,067	1,167,810
4.—DEPOSITS REPAYABLE AND ADVANCES RECEIVABLE, &c. ...	783	16,597,979	16,598,772	15.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO THE RAILWAY COMPANIES ...	.....	4,063,977	4,063,977
5.—LOCAL REMITTANCES ...	.....	1,042,344	1,042,344	16.—DEPOSITS REPAID AND ADVANCES RECEIVABLE, &c. ...	783	18,323,905	18,323,908
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS ...	115,945	17,470,218	17,470,218	17.—LOCAL REMITTANCES ...	.....	736,760	736,760
7.—REMITTANCE ACCOUNT ...	127,630	9,014,702	9,014,702	18.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS ...	.....	17,392,867	17,392,867
8.—ARYSINIAN EXPENDITURE ...	9,014,702	410,788	8,023,252	19.—REMITTANCE ACCOUNT ...	1,114,684	522,720	1,637,304
9.—BILLS OF EXCHANGE ...	7,612,464	4,217,088	6,640,944	20.—BILLS OF EXCHANGE INCLUDING SPECIE REMITTANCE ...	.....	9,823,550	9,823,550
10.—RAILWAY CAPITAL ...	2,423,866	.....	.....	21.—RAILWAY CAPITAL ...	5,343,805	1,818,147	7,161,952
11.—BORROWED ...	.....	.....	.....	22.—DEBT PAID ...	.....	2,909,485	2,909,485
				23.—ARYSINIAN EXPENDITURE ...	.....	89,381	89,381
				24.—CLOSING BALANCE ...	9,306,972	16,818,743	20,124,715
TOTAL ...	22,366,080	113,629,419	135,995,479	TOTAL ...	22,366,060	113,629,419	135,995,479

Abstract of the above showing how the Ways and Means of the year have been provided.

SURPLUS IN ORDINARY ACCOUNT INCLUDING RAILWAY TRANSACTIONS ...	1,482,900	CASH BALANCE INCREASED ...	...	3,291,781
LOCAL REMITTANCES ...	306,684	EXTRAORDINARY EXPENDITURE ...	...	1,167,810
INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS ...	107,561	DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE ...	...	1,760,998
REMITTANCES ...	605,915	BILLS OF EXCHANGE ...	...	806,848
ARYSINIAN EXPENDITURE ADVANCES RECOVERED ...	27,738			
RAILWAY CAPITAL RECEIPTS IN EXCESS OF EXPENDITURE ...	881,300			
ROFPOVED ...	3,641,459			
TOTAL ...	7,029,365	TOTAL ...	...	7,029,365

FORB WILLIAM;
FINANCIAL DEPARTMENT,
The 6th April 1872.

G. FITZGERALD,
Offg. Deputy Comptroller General.

HUGH SANDEMAN,
Offg. Comptroller General.

R. B. CHAPMAN,
Secy. to the Govt. of India.

Estimated Receipts and Payments in England and India during the year 1871-72.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE	£	£	£	12.—ORDINARY EXPENDITURE	£	£	£
2.—ORDINARY INCOME	3,305,972	16,818,743	20,124,715	13.—GUARANTEED INTEREST ON RAILWAY CAPITAL	7,970,400	37,484,700	45,455,100
3.—RAILWAY TRAFFIC RECEIPTS	182,100	49,794,400	49,976,500	14.—EXTRAORDINARY EXPENDITURE	4,546,000	46,600	4,592,600
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE, &c.	.....	6,729,500	6,729,500	15.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO RAILWAY COMPANIES	156,800	1,580,000	1,736,800
5.—LOCAL REMITTANCES	7,000	18,518,900	18,525,900	16.—DEPOSITS REPAID AND ADVANCES RECOVERABLE, &c.	.....	3,953,300	3,953,300
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	.....	407,300	407,300	17.—LOCAL REMITTANCES	7,000	18,860,200	18,867,200
7.—REMITTANCE ACCOUNT	82,000	17,883,000	17,965,000	18.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	.....	90,900	90,900
8.—ABYSSINIAN EXPENDITURE	10,000	1,235,600	1,245,600	19.—REMITTANCE ACCOUNT	1,315,100	18,145,000	19,460,100
9.—BILLS OF EXCHANGE	10,320,000	16,000	10,336,000	20.—BILLS OF EXCHANGE	2,609,900	255,800	2,865,700
10.—RAILWAY CAPITAL	3,985,600	1,486,800	5,472,400	21.—RAILWAY CAPITAL	5,000	9,560,900	9,565,900
11.—BORROWED	1,413,400	17,385,700	18,799,100	22.—DEBT PAID	.....	16,160,400	16,160,400
				23.—ABYSSINIAN EXPENDITURE	.....	3,500	3,500
				24.—CLOSING BALANCE	2,705,872	21,640,143	24,346,015
TOTAL	19,306,072	130,275,643	149,581,715	TOTAL	19,306,072	130,275,643	149,581,715

Abstract of the above showing how the Ways and Means of the year are estimated to be provided.

SURPLUS IN ORDINARY ACCOUNT, INCLUDING RAILWAY TRANSACTIONS	England.	India.	TOTAL.	CASH BALANCE INCREASED	England.	India.	TOTAL.
LOCAL REMITTANCES				EXTRAORDINARY EXPENDITURE	.....	.....	.....
ABYSSINIAN EXPENDITURE ADVANCES RECOVERED				DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE	.....	.....	.....
RAILWAY CAPITAL RECEIPTS IN EXCESS OF EXPENDITURE				REMITTANCES	.....	.....	.....
BILLS OF EXCHANGE				INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	.....	.....	.....
BORROWED							
				TOTAL	19,306,072	130,275,643	149,581,715

FOR WILLIAM;

FINANCIAL DEPARTMENT,

The 6th April 1872.

G. FITZGERALD,

Offg. Deputy Comptroller-General.

HUGH SANDEMAN,

Offg. Comptroller General.

R. B. CHAPMAN,

Secy. to the Govt. of India.

Estimated Receipts and Payments in England and India during the Year 1872-73.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE	£	£	£	12.—ORDINARY EXPENDITURE	£	£	£
2.—ORDINARY INCOME	2,705,872	21,640,143	24,346,015	13.—GUARANTEED INTEREST ON RAILWAY CAPITAL	8,236,800	38,497,200	46,734,000
3.—RAILWAY TRAFFIC RECEIPTS	180,970	45,890,100	46,071,000	14.—EXTRAORDINARY EXPENDITURE	4,680,000	44,000	4,724,000
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE, &c.	.....	6,914,900	6,914,900	15.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO RAILWAY CO. PANIES	410,200	2,203,800	2,615,000
5.—LOCAL REMITTANCES	7,000	18,683,500	18,700,500	16.—DEPOSITS REPAID AND ADVANCES RECOVERABLE, &c.	.....	3,680,900	3,680,900
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	.....	274,200	274,200	17.—LOCAL REMITTANCES	7,000	18,594,400	18,601,400
7.—REMITTANCE ACCOUNT	50,000	16,257,200	16,307,200	18.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	.....	494,800	494,800
8.—ABYSSINIAN EXPENDITURE	20,000	1,275,900	1,295,900	19.—REMITTANCE ACCOUNT	1,160,400	16,473,600	16,473,600
9.—BILLS OF EXCHANGE	13,000,000	.....	13,000,000	20.—BILLS OF EXCHANGE	1,160,400	13,000,000	13,000,000
10.—RAILWAY CAPITAL	2,146,700	1,282,600	3,429,300	21.—RAILWAY CAPITAL	1,526,400	2,461,000	3,987,400
11.—BORROWED	.....	780,000	780,000	22.—DEBT PAID	.....	2,210,200	2,210,200
				23.—CLOSING BALANCE	2,089,672	17,541,543	19,631,215
TOTAL	19,110,472	115,409,543	133,520,015	TOTAL	19,110,472	115,409,543	133,520,015

Abstract of the above showing how the Ways and Means of the year are estimated to be provided.

CASH BALANCE REDUCED	.....	.....	.....	EXTRAORDINARY EXPENDITURE	.....	.....	2,615,000
SURPLUS IN ORDINARY ACCOUNT, INCLUDING RAILWAY TRANSACTIONS	.....	.....	4,714,800	REMITTANCES	.....	.....	30,800
DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE, &c.	.....	.....	237,000	LOCAL REMITTANCES	.....	.....	220,400
ABYSSINIAN EXPENDITURE ADVANCES RECOVERED	.....	.....	99,100	RAILWAY CAPITAL EXPENDITURE	.....	.....	686,100
			21,000	INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	.....	.....	216,400
				DEBT PAID	.....	.....	1,480,200
TOTAL	.....	.....	5,070,900	TOTAL	.....	.....	5,070,900

FORST WILLIAM;
FINANCIAL DEPARTMENT,
The 6th April 1872.

G. FITZGERALD,

Offg. Deputy Comptroller General.

HUGH SANDEMAN,

Offg. Comptroller General.

R. B. CHAPMAN,

Secy. to the Govt. of India.

STATEMENT of Special Loans to

	Amount of Loans sanctioned.	Rate of Interest.	Date of Orders authorizing the Loans.
	Rs. A. P.		
PORT CANNING MUNICIPALITY (for improvement of Port).	4,50,000 0 0	Nil for 5 years.	Finl. Dept., Govt. of India, 10th March 1866, No. 1251.
CALCUTTA MUNICIPALITY (for Water-supply).	52,00,000 0 0	at 4 per cent.	Finl. Dept., Govt. of India, 28th Feb. 1867, No. 1171.
KURBACHEE MUNICIPALITY (for Water-supply).	6,30,000 0 0	at 4a „ ...	Finl. Dept., Govt. of India, 25th March 1869, No. 1519.
BOMBAY MUNICIPALITY (for payment of existing debts, repayable by instalments in 10 years).	15,00,000 0 0	at 5 „ „ ...	Finl. Dept., Govt. of India, 31st March 1869, No. 1907.
MADRAS LOCAL FUNDS (for completion of East Coast Canals, at least Rs. 5,000 to be re-paid half-yearly).	2,00,000 0 0	at 5 „ „ ...	Finl. Dept., Govt. of India, 5th July 1869, No. 1763.
MADRAS MUNICIPALITY (for Water-supply).	12,80,000 0 0	at 4a „ „ ...	Finl. Dept., Govt. of India, 27th February 1869, No. 1219, and 8th July 1869, No. 1382.
BOMBAY PORT TRUST FUND ...	.....	.....	.....
ELPHINSTONE AND LAND-PRESS COMPANY	.....	at 5 „ „ ...	Bombay Govt. Resolution No. 62, C W. 222, dated 29th January 1868, P. W. Dept.
BOMBAY MUNICIPALITY (for Vihar Water Works).	.....	at 4 „ „ ...	Bombay Acts XIII of 1863 and II of 1865, and Bombay Govt. Resolution No. 1389, dated 27th July 1865.
BOMBAY MUNICIPALITY (for Elphinstone Circle Debt).	.....	Nil „ „ ...	Bombay Govt. Resolution No. 687, dated 9th May 1863, Genl. Dept.
CALCUTTA PORT FUND ...	17,65,000 0 0	at 4½ „ „ ...	Finl. Dept., Govt. of India, 30th April 1870, No. 200, and 7th July 1871, No. 1832.
KUMAON (May 1868), (Nyneetal)	4,000 0 0	Without Interest.	N. W. P. Govt. Order of 5th May 1868, No. 2078.
OOTACAMUND MUNICIPALITY ...	20,000 0 0	at 5 per cent.	Madras Govt. Order of 11th August 1869, No. 1112, Public Dept.
CAWNPORE MUNICIPALITY ...	2,68,540 0 0	at 5 „ „ ...	Finl. Dept., Govt. of India Order of 14th Dec. 1869, No. 2959.
CALCUTTA PORT TRUST ...	1,00,00,000 0 0	at 4½ „ „ ...	Act No. V of 1870, B. C. ...
			TOTAL ...

a 2 per cent. additional appropriated to form a Sinking Fund.

CALCUTTA;
COMPTROLLER GENERAL'S OFFICE,
CENTRAL ACCOUNTS BRANCH,
The 6th April 1872,

Municipalities, &c., during 1870-71.

Balance from last year.	Amount advanced.	TOTAL.	Amount repaid.	Balance.	Amount of Interest re- ceived or cre- dited to Re- venue.	Balance of Interest un- paid.
Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
2,25,000 0 0	.....	2,25,000 0 0	.....	2,25,000 0 0	.....	
51,50,000 0 0	50,000 0 0	52,00,000 0 0	.....	52,00,000 0 0	2,07,189 0 7	
.....						
14,33,891 7 9	.....	14,33,891 7 9	1,23,101 9 4	13,10,789 14 5	68,898 6 8	
25,154 10 11	25,828 15 8	54,981 10 7	10,000 0 0	44,981 10 7	1,905 0 7	
50,000 0 0	4,10,000 0 0	4,60,000 0 0	.....	4,60,000 0 0	2,944 2 3	
.....	2,01,27,802 0 0	2,01,27,802 0 0	.....	2,01,27,802 0 0	.....	
10,24,779 2 4	2,75,220 13 8	13,00,000 0 0	13,00,000 0 0	.....	41,666 10 8	
37,79,927 0 4	.....	37,79,927 0 4	24,448 5 4	37,55,478 11 0	1,50,751 10 8	
29,924 0 0	.....	29,924 0 0	29,924 0 0	.....	.....	
12,55,000 0 0	5,10,000 0 0	17,65,000 0 0	.....	17,65,000 0 0	28,237 8 0	
4,000 0 0	.....	4,000 0 0	4,000 0 0	.....	.....	
11,006 12 8	8,993 3 4	20,000 0 0	1,894 6 9	18,165 9 3	550 5 6	
.....	1,90,000 0 0	1,00,000 0 0	.....	1,00,000 0 0	.....	
.....	6,62,574 9 7	6,62,574 9 7	.....	6,62,574 9 7	.....	
1,29,88,683 2 0	2,21,74,417 10 3	3,51,63,100 12 3	14,93,308 5 5	3,36,69,792 6 10	5,02,142 12 11	

HUGH SANDEMAN,
Offg. Comptroller General.

B.

SINKING FUNDS for redemption of Loan during 1870-71.

	BALANCE.		RECEIPTS.		TOTAL.		PAYMENTS.		BALANCE.	
	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
CALCUTTA MUNICIPALITY (for Water-supply)	1,36,800 0 0	90 2 2	98,100 0 0	1,14,281 11 11	2,36,900 0 0	1,14,371 14 1	...	1,14,339 3 7	2,36,900 0 0	32 10 6
MADRAS MUNICIPALITY (for Water-supply) ...	500 0 0	20 11 1	1,500 0 0	1,522 1 2	2,000 0 0	1,542 12 3	...	1,501 6 8	2,000 0 0	41 5 7

CALCUTTA,
 COMPTROLLER GENERAL'S OFFICE,
 CENTRAL ACCOUNTS BRANCH,
 The 6th April 1872.

HUGH SANDEMAN,
 Offg. Comptroller General.

Account of Money raised on Loan in 1870-71 for Reproductive Works, and of Extraordinary Expenditure.

	£	£	£	£	£
Balance brought forward	...	...	2,321,132		£
LOANS RAISED—					
ENGLAND—					
Proceeds of 4 per cent. Stock	...	2,423,856			717,167
INDIA—					1,231
Loan from the Maharajah Holkar for a State Railway	...	260,000			388,910
4 PER CENT. LOAN—					60,463
Securities issued for purchase of the Elphin- stone property	...	1,859,228			449,372
DEDUCT—					
DEBT PAID—		2,100,228			
5 per cent. Public Works Loan	273,040				41,000
5 per cent. Debenture Loan	195,300				2,083
Other Loans	730				809
		469,070			44,882
EXTRAORDINARY RECEIPTS—			4,064,014		2,040,303
MADRAS—					
East Coast Canals	...				51,000
Ootacamund Municipality	...				66,257
BOMBAY—					5,000
Bombay Municipality (Existing Debts)	...				10,000
Ditto (Vehar Water Works)	...				
Ditto Elphinstone Circle Debts	...				
Elphinstone Land and Press Co.	...				
N. W. PROVINCES—					
Kumaon Municipality	...				
		400	149,331		10,000
			6,531,477		...
					2,217,442
					3,985,262
					3,143,225
					6,535,477

CALCUTA:

COMPTROLLER GENERAL'S OFFICE,
CENTRAL ACCOUNTS BRANCH,

The 6th April 1872.

HUGH SANDEMAN,
Offg. Comptroller General.

Offg. Comptroller General.

INDIA FINANCIAL STATEMENT, 1873-74.

MINUTE BY THE HON'BLE SIR RICHARD TEMPLE, K.C.S.I.,

DATED 27TH MARCH 1873.

I HAVE to present the budget of British India for the year 1873-74, together with my financial exposition in the usual divisions :—

1stly, the actuals for the past year 1871-72 ;

2ndly, the regular estimate for the current year about to close,
1872-73 ;

3rdly, the budget estimate for the coming year about to
commence, 1873-74 ; and

4thly, the ways and means and the cash balances.

Before treating of each of these divisions in order, I must mention some slight alterations which have (with the sanction of the Secretary of State) been made in the form of the accounts. 10

On the receipt side a new heading of receipts in aid of superannuation, retired, and compassionate allowances is presented. This consists chiefly of the subscriptions by officers on account of those pensions for widows and orphans which were formerly paid from the military and medical funds, but which are now paid by the State since the abolition of those funds in 1866, and it includes transfers from the capital deposits originally the property of those funds, but now the property of the State. In my previous budget statements they were included in the miscellaneous heading. 20

On the expenditure side a new heading appears for civil furlough and absentee allowances, an item which has always been shown separately in the home accounts. And on this occasion the loss by exchange on remittances to the Home Treasury, which used to be included in miscellaneous, is shown separately, by reason of the special importance of the item. The miscellaneous heading, which was unduly large, has thus been reduced to a more manageable size. The heading of medical services, which has heretofore appeared in the budget statements, disappears in the present statement, having been transferred to the heading of allotments for provincial services. The greater part of the civil medical grants had previously merged in these allotments, and the remnant now follows. 30

I thus begin with the actual figures of the year 1871-72. In my last financial exposition it was explained that, according to regular estimate, a surplus of £2,700,000 was expected of income over ordinary 34

[1873-74.]

expenditure, owing mainly to gain in the opium department, and partly to savings and reductions in expenditure. It is now seen, however, that the surplus actually amounts to £3,124,178, or more than three millions, owing to still further savings and reductions in expenditure. The fact of this amount exceeding actually even the large surplus shown in the regular estimate is satisfactory, as proving that this regular estimate, though very favorable, was yet cautious, and that the economy enforced so successfully up to the tenth month of the year, when the regular estimate was prepared, was strictly maintained up to the last day of the year. And in this advantage all departments have shared alike, according to their respective proportions, the civil branches generally, the army, the marine, the public works, the railways. The main causes of this surplus were set forth by me last year. Doubtless its magnitude will be regarded as very satisfactory; but our satisfaction must be moderated by the recollection that more than half of the surplus arises from a gain in opium, on which we had no right to count. Still the result is partly due to our own management, for the ordinary expenditure of the year (just under 47 millions) was low; quite the lowest that has been seen for several years past.

It will be observed then from the appended statement that the receipts of the year 1871-72 were £50,109,093, or more than 50 millions; while the ordinary expenditure amounted to £46,984,915, or nearly 47 millions, leaving the surplus of £3,124,178, or more than 3 millions.

Besides the ordinary expenditure, there was an extraordinary expenditure of £1,628,474, or $1\frac{1}{2}$ millions, on remunerative public works. Even with this extraordinary expenditure, for which we are allowed to provide by loan, the income of the year exceeded the aggregate of expenditure, ordinary and extraordinary together, by £1,495,704, or $1\frac{1}{2}$ millions.

Thus ends the most prosperous year yet known in our financial history since the establishment of the budget system.

I next turn to the second part of the subject, namely, the regular estimate for the current year 1872-73. On this, as on previous occasions, the estimate is based on actual figures for periods ranging from 9 to 11 months for the various provinces and departments. It is to be remembered that the remaining months for which we still await the actual figures, are of importance, and that notwithstanding all the care which can be exercised, many variations will probably occur between this estimate and the actual figures of the year when they shall be made up hereafter.

The budget for the year showed a surplus of £237,000 of income over ordinary expenditure. The regular estimate now shows a surplus of £1,354,000 or $1\frac{1}{2}$ millions, the estimated receipts amounting to £49,905,000, or nearly 50 millions, and the estimated ordinary expenditure to £48,551,000, or $48\frac{1}{2}$ millions.

The year has been generally propitious. The rains have been abundant; the harvests for the most part good, and, in some provinces, very fine. The condition of the people being prosperous, the revenues have flourished. Though the import trade has not been in a favorable position, and though some exports have fallen off, yet several staples of the export trade have advanced excellently. We have enjoyed immunity from misfortunes of season, and from those political contingencies and troubles which so often have disturbed financial arrangements.

1873-74.]

There have also been special causes for the production of surplus, and once more I have to dwell on the fact that the surplus of the year is attributable mainly to gain in opium. In the budget £7,700,000, or $7\frac{3}{4}$ millions, were set down for opium receipts; but in the regular estimate there appear £8,677,000, or $8\frac{3}{4}$ millions; the difference in our favor amounting to £977,000, or nearly 1 million. Of the increase more than one-third (£369,700) is in the Malwa opium, the revenue of which has amounted to £2,614,700, a sum which is so high as to be almost without precedent, even in this speculative division of the trade. The increase (£607,300) in the Bengal opium is not owing to the quantity, inasmuch as the number of chests is fixed under our system to within a very narrow margin, but owing to the prices rising beyond the rate assumed in the budget. The rate stood at Rs. 1,200, or £120 per chest in the budget; the actual rate has been Rs. 1,386, or £138-12s. per chest. It is hardly necessary to advert to the uncertainty which always hangs over the subject of prospective prices of opium. The result, as is so well known, may be affected by circumstances both in China and in India. We are not aware of any present circumstances in China which could be adduced as causes of the high range of prices. But in India there is one cause immediately apparent; namely this, that the poppy crop, which at the time of bringing forward the budget promised a fair yield, gave, ultimately, an indifferent yield. Instead of the 55,000 chests expected under the earlier condition of the harvest, there was in the end an out-turn of only 46,656 chests. Both figures include the supply for consumption in India itself. Thus, in the first half of the year, there was an apprehension of a somewhat short supply, a circumstance specially calculated to make prices rise and to maintain them at a high standard.

But, further, this comparatively short supply has affected the estimate in another direction. Less opium having been produced in the Bengal agencies, there has been less to be paid for than was expected. Consequently, the payments, estimated in the budget at £2,323,000, have fallen in the regular estimate to £1,818,000, showing a diminution of £505,000.

Thus the difference in the opium estimate amounts on the receipt side to £977,000, and on the expenditure side to £505,000; in all to £1,482,000, or $1\frac{1}{2}$ millions. Whether this difference is wholly favorable to the future of our finance may be a question. But that it more than accounts for the surplus in the current year is unquestionable. And it is the main support of the fortunate position of the financial year upon which I am commenting.

There has not been any marked increase under the heads of revenue in the regular estimates as compared with the budget estimates. Under most heads the budget estimate has been well sustained, and no more. To this, however, there are some exceptions to which I must advert.

The land revenue shows an increase of £329,000. This, to the extent of more than £100,000, has arisen from the payment in 1872-73 of revenue suspended in the Bombay Presidency at the end of 1871-72. The remainder of the improvement is due to the favorable season to which I have already adverted.

To the same general cause must be attributed the improvement of £82,000 under excise on spirits and drugs.

Under customs there is an increase of £61,000, due entirely to the great expansion of the export trade in rice.

5 In the post office, the receipts show a falling off of £213,000. This decrease is not, however, in the cash receipts paid in by the public, which are improving slowly, though steadily, but in the receipts from official postage during the year. The new rules for the abolition of franking, and the substitution of official postage stamps, have fully come
10 into force, and have caused economy to be exercised to a degree greater even than was expected. The reformed system causes every official to observe closely the charge that he incurs when transmitting letters on the public service, because that charge is rendered immediately apparent by the value of the stamp affixed. Consequently, the numerous public
15 departments, having had their attention practically drawn to the subject, have exercised an unprecedented economy, not only in respect to the weight of their despatches, but also in respect to the mode of transmission. A large part of the despatches are now sent by the slower and cheaper transit; the more urgent letters only being reserved for the
20 quicker and more expensive transit. And, inasmuch as by existing rules the value of official postage is credited in the receipts of the postal department, there is a decrease in the total of receipts. This is in some degree nominal, and is, so far, balanced by decrease of recorded expenditure under the several service heads. But it really represents a considerable
25 saving in the cost of transmitting the mass of official letters throughout India. And, accordingly, the regular estimate shows on the other side of the account an actual decrease of £51,000 in the postal expenditure.

In the mint the receipts show a large decrease, which arises from the fact that the amount of silver bullion tendered by the public for
30 coinage, on which a seignorage of 2 per cent. is levied, has been insignificantly small. I shall hereafter revert to this somewhat remarkable circumstance.

There is also some decrease in forest receipts. This is of less importance, inasmuch as it only indicates that the department has done less work
35 than was expected, and has incurred less expense. As has been explained on previous occasions, this is a spending rather than a receiving department. And though we may continue to regret that its revenues do not increase faster, still we must always bear in mind that its main work, which it performs efficiently, is the preservation of the national wealth
40 of forests with which India is endowed.

The net result on the receipt side of the estimate is an increase of £1,134,000, or upwards of one million.

On the expenditure side I will advert, firstly, to items of decrease, and, secondly, to items of increase.

45 There are savings and reductions in various civil departments, such as that of land revenue, decrease £54,000; of assessed taxes, decrease £17,000; of customs, decrease £10,000; of salt, decrease £23,000; of administration, decrease £27,000; of law and justice, decrease £144,000. To a considerable extent these decreases are due to the saving in official
50 postage as already explained. The decrease under law and justice is partly nominal, owing to the exclusion of the receipts and charges for 1873-74.]

the service of processes in the Madras Presidency, which were included in the original estimates.

There is a decrease of £73,000 in marine charges by reason of less work being done than usual in the Bombay dockyard.

There is a large decrease, £52,000, under forests; but, as has been just seen, there has been a decrease of receipts also.

The decrease of £51,000 under post office has been just explained.

And the great decrease under opium has been already adverted to.

There is a reduction in army charges; the budget showed £15,862,000, whereas the regular estimate shows only £15,646,000, the difference less 10 being £216,000, or nearly a quarter of a million. In both cases the total is satisfactorily low. But it must be remembered that (as stated in my last exposition) there has been a transfer of charge for certain barrack expenses from the military department to the public works department. After allowing for this, however, I believe that the estimate is indicative 15 of strict economy.

This great item of expenditure is divided into two heads, namely, the charges incurred in India, and the charges incurred in England on account of India. The charges incurred in India may be summarized thus: The budget showed an expenditure of £12,100,000; the regular 20 estimate shows £12,025,000; a decrease of £75,000. The decrease is owing to the postponement of the camps of exercise in the Madras and Bombay Presidencies, to the retirement of artillery officers and breaking up the head-quarters of the 24th Brigade, Royal Artillery, to the abolition of the Poona dépôt, to favorable market prices for grain and forage, 25 to savings in the Military Account Department, to a less outlay for clothing, barrack, medical, and ordnance supplies, and to a less expenditure for sea transport and non-effective charges. The estimated saving from these sources is about £238,000. On the other hand, increased provision had to be made in the revised estimate for— 30

	£	
The Looshai Expedition	25,000	
Camps of Exercise at Delhi (arrears) and Hussan Abdal...	8,000	
For two Regiments of Madras Native Infantry returned from China and the Straits	22,000	35
Asylums in the Madras Presidency transferred from civil to military estimates	9,000	
Arrear charges, Order of British India	15,000	
Special payments to artillery officers on retirement	9,000	
Arrear charges, Overland Troop transports	30,000	
Freight paid in India on Military Stores	45,000	40
	<u>£163,000</u>	

Setting these increments against the savings, there appears a net saving of £75,000 upon the budget.

The expenditure of the army has been analysed with extreme care 45 by the department over which my hon'ble colleague (General Norman) presides.

The military receipts in India were set down at £840,000, but the actuals for the first eight months of the year justified the revised estimate of £870,000. The causes of this improvement are the discharge 50 purchase-money of British soldiers in India, and the messing contribu-

tions for passages by the overland troop transports, which are now credited to the Indian instead of to the Home Government; and the receipts, by a larger sale than was expected of stud cattle, clothing, medical and ordnance stores.

5 On the other hand a large credit expected in England was not realised, so that the decrease there neutralises the improvement in India.

For the charges incurred in England on account of India, the revised estimate shows a reduction of £141,200, of which £25,000 is in furlough allowances of Indian officers, owing to a decrease in the number
10 of officers on furlough, and £100,000 are savings in military stores.

On the other hand, there are several items of increase on the expenditure side of the regular estimate.

The item of interest on service funds and other accounts rises from
15 | £527,000 to £584,000, mainly by reason of an adjustment of a claim with interest on the part of the Madras Civil Service Annuity Fund for sums overpaid by the fund to Government on account of the annuities.

There is an increase of £97,000 under minor departments. This is owing to a charge of £57,000 for stores in England which, under the
20 old system, would have been entered under miscellaneous; to the completion of the general census of British India, the original provision for this important operation not having been found sufficient in some provinces; and to its having been found necessary to make a special grant in order that Indian products and fabrics may be worthily represented at the
25 Vienna Exhibition.

The increase of £23,000 in the political charges arises from the transfer to this head of the Mairwára battalion; to the unforeseen expenses of durbars; and to additional charges on account of the late Yarkand mission and the Seistan arbitration.

30 There is a considerable increase of £240,000 under loss by exchange. It will be remembered that, in the budget, we calculated that the drawings by the Secretary of State would amount to $13\frac{1}{2}$ crores of rupees during the year, at an average rate of 1s. 11d. to the rupee, which would represent a loss by exchange in round numbers of £500,000. It is
35 now estimated that the bills paid will exceed 15 crores, at an average rate of 1s. 10 $\frac{1}{2}$ d. to the rupee, representing a loss by exchange of
1 | £740,000. This sum of 15 crores includes the payment for a sum of £403,040, which was remitted to England in May last by bills purchased in India. The excess in the drawings was chiefly occasioned by a dimi-
40 nution in the amount of railway capital for India intended to be raised in England. Some of the capital (£1,100,000), for the receiving of which provision had been made, was subsequently countermanded as not being required. This diminution was very desirable, because the Indian treasury has still a large amount of unexpended railway capital in hand.

45 The increase of £278,000 in the allotment for provincial services is owing to additional grants having been found necessary—for Bengal of £113,500, chiefly for compensation for a court house made over to the military department as a hospital for the troops, and for the capitalisation of certain annual charges at the debit of the Imperial Govern-
50 | ment—for Bombay £107,400 for the construction of a small cause court house and of buildings required for the collection of the salt re-

venue—for Burmah £45,000, in order to enable the administration to execute various useful works which were urgently needed.

The increase of £216,000 in public works ordinary has occurred in consequence of its having been found necessary to assign additional funds for the prosecution of various works; and in consequence of the transfer to this head of items, which it was originally intended to defray from loan funds, but which are now found to be not properly so debitable. 5

The net charge for guaranteed railway interest was originally estimated at £1,800,000, but is now expected to amount to £2,117,000, or more than 2 millions, which is considerably larger than any sum ever yet shown on this account, and suggests serious consideration. This charge is made out in this wise: The guaranteed interest amounts to £4,665,000 on a capital sum of £95,000,000. Against this there is a set-off of £2,548,000, estimated net traffic receipts on 5,073 miles of open line, which receipts arise from £6,864,000, estimated gross traffic earnings, less £4,316,000, working expenses. The net traffic receipts deducted from the guaranteed interest leave the £2,117,000 as cost to the State. 15

The increase of the net charge upon the Government, does not at all arise from the gross amount of the interest being in excess of the estimate; on the contrary, it is rather less by reason of the capital subscriptions being less than the anticipation; which circumstance aggravates the fact of the net charge being so much greater. What, then, are the causes of the excess? In the first place, there has been a change for the better in accounting, whereby the charges for the stores expended in working are transferred more rapidly than heretofore from the capital account to the revenue account. This has caused an unusually heavy debit during the current year. Then there has been a recurrence of disastrous floods, injuring or destroying masonry works on several lines, causing additional expense, and also interruption of traffic. Another cause is want of expansion in the traffic. Not indeed that the total of gross traffic earnings has actually declined; on the contrary, it was slightly greater during the last calendar year, 1872, than it has ever been. But it has remained almost stationary during the three years ending with 1872, notwithstanding that 400 miles of new line have been opened. In 1870 it stood at £6,247,000; in 1871 at £6,125,000; in 1872 at £6,275,000. This stagnation, on the whole, is the more remarkable, inasmuch as, during the period, the passenger traffic has steadily increased. Some 18 millions (18,048,547) of passengers travelled in 1870, whereas some 20 millions (19,907,781), or 2 millions more, travelled in 1872. But the goods traffic has not increased on the whole; 40 while on some lines it has even declined. In my last exposition there was allusion to the special enquiry regarding the falling off on the East Indian line, which was traced partly to the state of the harvests and partly to variations in the rates. With a view to affording further inducements to traffic, the railway company have given prompt attention to the rates, and have judiciously reconsidered them. On the Great Indian Peninsula line there was disappointment in respect to the total earnings (notwithstanding increase in many articles) by reason of the falling off in the transport of cotton from the central regions of India to the port of Bombay. But, whatever special causes may be assignable in particular years, the main fact remains that the goods traffic has for some 50

years been either stationary or slightly retrogressive. And, whatever may have been the fluctuations in trade, it appears that the roads and rivers which compete with the railways have all this time experienced no lack of traffic. Thus, we cannot but fear that the railways are not used 5 by the people as much as we might hope. And we must reflect more and more closely on the question whether the railway management and administration might not be more practically adapted to the needs and the habits of the country.

On the other hand, there has been no proportionable increase in the 10 working expenses. Economy has been, and is being, enforced. The train service is more economically managed; the engineering establishments have been reduced; European agency has in many stations been replaced by cheaper Native agency. On some lines, especially the East Indian, and the Punjab and Delhi, the diminution of expenses has been 15 demonstrably great. On the East Indian line the percentage of working expenses amounted to 40·5 per cent. on the earnings, which will apparently bear favorable comparison with the corresponding percentage on some of the principal English lines: for instance the—

	48	per cent. on the Great Northern,
20	45	„ on the Great Western,
	45	„ on the London and North-Western,
	45	„ on the Midland,

and the 47, average on the lines throughout England and Wales.

In order to show how far the lines are beginning to prove remunera- 25 tive undertakings, I subjoin an abstract statement showing the percentage of profits on capital withdrawn for all the guaranteed railways in India. It will be seen that on the whole systems, the percentage still falls short of the guaranteed rate of 5 per cent. :—

30	NAME OF GUARANTEED RAILWAY.	1871.	1st HALF OF 1872.
		Percentage of profits on capital withdrawn.	Rate of percentage per annum of profits on capital withdrawn.
35			
40	East Indian, Main	4·90	5·98
	Ditto, Jubbulpore Extension	1·23	*4·44
	Eastern Bengal	3·07	1·84
	Oudh and Rohilkund	0·22	0·38
	Sindh, Punjab, and Delhi	0·14	1·16
	Madras	2·69	2·76
45	Great Southern of India	1·91	1·52
	Carnatic	1·71	1·92
	Great Indian Peninsula	2·97	3·92
	Bombay, Baroda, and Central India	2·66	5·16
	All Guaranteed Railways	3·00	3·96

* Exceptional, owing to adjustments.

I may be pardoned for this brief digression, inasmuch as the finance of the year is affected adversely to the extent of £317,000 by the guaranteed railways.

The result on the expenditure side of the regular estimate, increase balanced against decrease, is a net increase of £17,000.

The total result, as already seen, is the surplus of £1,354,000 of income over ordinary expenditure.

Besides the ordinary expenditure there is in this the regular estimate an extraordinary expenditure on reproductive works of £2,307 000, or 2½ millions, which amount corresponds fairly with that set down in the original estimate. Of the two great divisions, that pertaining to canals shows somewhat less expenditure by reason of the postponement of the Sarda canal, while that of State railways shows somewhat more. The approximate agreement in this instance between the totals of the regular and of the original estimate is worthy of notice, inasmuch as in previous years the actual expenditure on these works has been much less than that proposed in successive budgets, the cause of the difference having been generally, delay in the maturing of the projects, and in the submitting of complete plans for sanction. But now that the organization of these works is in a more advanced state, the rate of progress becomes comparatively quicker; and, thus, the accounts of the year are presenting the largest expenditure ever yet attained in this branch. While, on the one hand, this result is satisfactory, as indicating the advance of material improvement, yet, on the other hand, it suggests precautions for maintaining strong cash reserves in the treasury, to meet the rising demand for funds.

The surplus of income over ordinary expenditure is the out-turn of an estimate, which, though made near the close of the year, may fail to accord entirely with the actual facts yet to be finally ascertained. But it may not be otherwise than opportune to pass in review the aggregate of surplus which has been obtained since 1869-70. The actual surplus then has been as follows :—

			£	
1869-70, actual	...	...	118,669	
1870-71 "	...	...	1,482,990	
1871-72 "	...	...	3,124,178	
Add—				
1872-73 (estimated)	...	...	1,354,000	
		TOTAL	6,079,837	

Allowing for some variation yet to arise in the surplus for 1872-73, we have a surplus for the four years of more than six millions.

It may be well to recall to mind the chief causes which have produced this important result. I say causes, inasmuch as it is attributable not to any one circumstance, but to a combination of circumstances.

One main reason has been the prosperity of the opium revenue. Within the four years, we have received from this source net (after deduction of expenditure) £3,894,140 in excess of the budget estimates. Year by year the opium estimate has received the approval of the Secretary of State, as being prudent and in accord with the known facts of the time. The actual receipts, however, have proved larger than the

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anticipation. This, too, happened during a period when some authorities seemed to consider the Indian opium trade as threatened by serious competition from the expanding culture of the indigenous drug in China, and even from the produce of other countries,—when the Indian opium 5 harvests have been considerably below the average,—and when the area under poppy cultivation has not materially increased. Indeed the fiscal facts point to the conclusion that the demand in China for the Indian drug is firmly sustained. Doubtless the ability of China to pay a good price for the opium is maintained by the growing wealth and 10 rising trade of that country.

The full increase (£2,980,554) which occurred in the opium receipts, and the full decrease (£913,586) in the charges, could not indeed have been entirely foreseen. But the occurrence of some improvement did not excite surprise, because the possibility of its occurring was 15 foreseen, inasmuch as the estimates were purposely made with cautious moderation. Looking to the disturbing elements to which some parts of the budget were exposed; looking also to the deficit which had extended over three years, the recurrence of which it was necessary to avert, we desired that the opium estimates should be made absolutely 20 secure.

Another cause consists, no doubt, in reduction of expenditure. As shown in my last exposition, the total expenditure was in—

	£	
1868-69	...	52,036,722, or 52 millions.
25 1869-70	...	50,782,452, or 50½ "
1870-71	...	49,930,695, or 50 "

But the expenditure was in—

1871-72	...	46,984,915, or 47 millions.
1872-73	(estimated)	48,534,000, or 48½ "

30 The expenditure on public works ordinary stood thus :—

	£
1867-68	5,972,626
1868-69	6,632,135
1869-70	5,347,037

35 But the expenditure was brought down to £3,811,167 in 1870-71. And if the reduced grants of subsequent years be added to the public works charges, transferred to provincial services, the total for 1872-73 will hardly exceed the last-named sum.

The army expenditure stood thus in—

	£
40 1867-68	16,103,296
1868-69	16,269,581
1869-70	16,329,739

whereas in 1872-73 it stands at £15,646,000.

In the other branches of the service it was not possible to obtain 45 so considerable a reduction. But in every department we strove to keep down the budget grants, at the lowest amounts possible, and then to secure economy and saving even within the limits of those grants. The detailed rules which operate in the direction of economy were vigilantly observed, and adherence to them in all particulars was insisted 50 on. The financial control exercised in the numerous civil branches, did no doubt contribute to the production of the surplus.

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Furthermore, among the main causes of the surplus are the measures passed during the four years by the authority of the Legislative Council, consisting of five Income-tax Acts. The revenue obtained under the operation of those Acts may be stated at net £4,453,232, or 4½ millions as seen below :—

<i>Year.</i>	<i>Receipt.</i>	<i>Expenditure.</i>	<i>Net.</i>
	£	£	£
1869-70	1,110,224	41,701	1,068,523
1870-71	2,072,025	43,991	2,028,034
1871-72	825,241	29,566	795,675
1872-73	575,000	14,000	561,000
TOTAL	4,582,490	129,258	4,453,232

The total sum is equal to more than two-thirds of the amount of the surplus of six millions just stated. It is thus manifest that, without the income-tax, so large an aggregate of surplus would not have been obtained. And whatever may be the importance of other facts operating in combination, this fact alone proves the importance of the measures passed by the legislature during the period under review, and illustrates the share they have had in the maintenance of our financial status.

If these 4½ millions be added to the proceeds of the direct taxation, including the license taxes imposed since the establishment of the budget system in 1860, the aggregate of receipts from this source will amount to 14 millions sterling.

A consideration of the past condition of our finances compelled us to do all that could properly be done for the purpose of obtaining a substantial surplus. The condition of deficit had been so serious for three years, that it had become imperative to effectually obviate the risk of any future deficiency arising, and to ensure the application of an adequate remedy. At one time the cash reserves in the treasury were regarded as being too low for the demands of the public service. Effort was therefore made for the restoration of the cash balance to its normal strength. In regard also to the financial credit of the Government, it was desirable to prove that a state of deficit would be immediately superseded by a state of surplus.

We did not indeed make provision for so large a surplus as that which has accrued, nor was taxation imposed for that particular end. What we aimed at was financial safety, supported by a moderate surplus. But as the surplus has proved to be so great, there is cause for satisfaction in the thought that there has been no new or heavy burden, on the mass of the people for the benefit of the general revenue; that the income-tax was very limited in its incidence; and that, except for a period of eighteen months, it has been levied at a minimum rate.

Further, I think that there are reasons for affirming that considerable as the surplus may have been, it has not been greater than what was needed in order to establish the finances in a strong position.

The accounts of the three previous years had shown a deficit amounting on the whole, to £3,299,216, or 6½ millions of income as

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compared with ordinary expenditure, as will be seen thus—

				£
1866-67 (11 months)	...	...	...	2,517,491
1867-68	...	...	...	1,007,695
1868-69	...	...	...	2,774,031
				<u> </u>
	TOTAL	...	...	6,299,217

I acknowledged this deficit expressly in my financial exposition on the 2nd April 1870; and added:—"The deficit being $6\frac{1}{4}$ millions, of which "only $3\frac{1}{2}$ can be accounted for by the barracks and are susceptible of special
10 "justification, it must be admitted that the remainder, $2\frac{3}{4}$ millions, are due
11 "to excess of expenditure accepted as chargeable against current income;
12 "and represent deficit pure and simple without such special justification."

This large deficit was twice noticed by the Governor General (the late Earl Mayo) in the Legislative Council, once in November 1869 and
15 once in April 1871.

Against that deficit we may now set the surplus just explained. I
• would repeat the opinion stated in my previous expositions, that, if our
finance is to possess stability, the deficit of some years must, at least, be
balanced by the surplus of other years. From this point of view, it is
20 seen that the greater part (though not quite the whole) of the above-
mentioned deficit has been counteracted by surplus.

In justice to Indian finance, however, it is to be noted that in one
of the years just mentioned, namely, 1866-67, there were included only
eleven months (owing to alteration of the financial year), which placed
25 the exceptional period at a disadvantage. Also the preceeding year
1865-66 was a year of surplus, shown in the financial statement at
£2,766,068, but of which £1,028,089 we ascertained to be nominal,
leaving £1,737,979 real surplus. If this circumstance be considered,
then a similar result, namely, the balancing of deficit by surplus, will be
30 apparent for the period previous to that, on which I have been comment-
ing. From the financial statements of my predecessors, the following
years are found to be in deficit or in surplus respectively:—

Deficit of income as compared with ordinary expenditure.

				£
35	1860-61	...	...	4,021,385
	1861-62	...	...	50,628
	1864-65	...	...	193,521
				<u> </u>
	TOTAL	...	...	4,265,534

Surplus income as compared with ordinary expenditure.

				£
40	1862-63	...	...	1,827,346
	1863-64	...	...	78,347
	1865-66	...	...	1,737,979*
				<u> </u>
45	TOTAL	...	...	3,643,672

				£
50	*Total shown	...	...	2,766,068
	Deduct nominal	...	...	1,028,089
	Leaving real	...	...	1,737,979

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In these years, then, which complete the period since the establishment of our budget system, the deficit is, for the most part, counteracted by surplus.

It may be impossible to prevent the occurrence of deficit in some years. Such occurrence may arise from any one of the many chances to which the country is exposed. But it ought to be possible to produce an equilibrium between income and ordinary expenditure, if taken on a series of years. And if the period be reviewed since 1860, when the budget system was established in India, it will be found that we are not very far from attaining such an equilibrium between income and ordinary expenditure,—although an exact balancing of the account from 1860 to the present time might show that there remains something to be made up by means of surplus, if the principle, as above stated, should be accepted.

In stating the financial result, however, I do not intend to claim too great a degree of credit for our own proceedings. Something is due to causes beyond the control of the Government, though something also is due to policy and management.

I present, for the first time, a statement of the accounts of the system of provincial services announced in the Resolution of 17th December 1870; and commenced from the year 1871-72. The statement for these services is prepared uniformly with the imperial statement, and embraces the actual figures of 1871-72, the regular estimate of 1872-73, and the budget for 1873-74. I must explain, however, that this general statement is only a compilation, from the detailed statements furnished by the several local Governments. There is some difficulty in the classification of the various heads of receipt, and of expenditure, and in their proper distribution between provincial services and local funds. The organization of the system is not sufficiently perfected to enable me to certify that the statement is entirely correct. The figures, therefore, as rendered by the local Governments are not as yet accepted by the Government of India. And, at the best, the statement chiefly consists of estimates, from which the actual figures may differ largely hereafter. I present it, however, in the belief that whatever imperfections exist will be rectified within a short time.

To the allotments of the opening year 1871-72 were added the special assignment of £200,000, rateably distributed among the various provinces, as explained in my exposition of March 1871. It will be observed that in that year, 1871-72, there was an available amount of £5,713,933, of which the various local Governments expended £5,453,873, leaving a balance of £260,060 to be carried on to the next year; that in 1872-73 there was an amount (balance of former year added to fresh allotments) of £6,283,789, against which the local Governments have an estimated expenditure £6,391,181, leaving an adverse balance of £107,392 to be provided for from local resources, which resources are seen to be ample from the accompanying statement of local funds.

During the current year a circular was addressed to the local Governments, asking opinions as to the working of the system of provincial services; and the replies are unanimously and strongly in favor of the system. Improvement both in efficiency and economy, and abridgement of labor, are attributed to it by all the authorities consulted. Nothing

has come to the knowledge of the Government of India to lessen the force of that conclusion. And from a financial point of view, we must acknowledge that the limitation of expense which the system has imposed on several of the departments most likely to expand, does materially
5 conduce to the maintenance of equilibrium in the imperial budget, and contributes something towards the favorable result now exhibited for the general finance of the country.

It is to be remembered that the statement above quoted relates only to the measure introduced by the Resolution of December. 1870,
10 which provides that certain allotments shall be made from the imperial exchequer for certain provincial services, and that the receipts derived previously from those services, and credited to imperial revenues should be transferred to local revenues. It does not relate to the previously
15 existing local funds and local expenditure; nor to the various measures of local taxation subsequently passed. For all these a separate statement is prepared.

I have not space enough to describe the details for each local Government; which details will, however, be found in the statement relating to local funds. But it may be noticed that, in every province, the provincial administration has been conducted at a cost fairly within the financial means available, and that, generally, a fair margin has been left. This
20 is noteworthy as indicating that, together with enlarged local responsibility, there has prevailed a keener spirit of economy than heretofore, and a stronger desire to measure requirements by the standard of disposable
25 resources. The closing balance of the local funds, if taken together with the closing balance of the provincial services, will show a net increase of available means.

In my last exposition a list was given of the new measures of local taxation in the various provinces of India. Of these however, some
30 have been held in abeyance. In Bombay, the levy of the non-agricultural cess has been suspended. In Madras, that portion of the local taxation which related to houses has not generally been carried out.

From the above-mentioned list it might perhaps have been understood by some, that all those measures were consequences of the provincial service resolution. I did not, however, intend to imply this. Some of the measures were consequences of that resolution, while others were not. The Bengal cess, and the Madras local taxation Acts, were in contemplation before the resolution was framed. In the North-West
40 Provinces that portion of Act of 1871, which authorized the five per cent. cess, in temporarily settled districts, did not impose any taxation, but virtually gave a new legal form to cesses previously existing or ordered.

The total amount received from the new local taxes imposed in consequence of the resolution during 1871-72 was only £144,000, and the
45 amount for 1872-73 is estimated at £212,000. These amounts are relatively small, and afford perhaps the most satisfactory answer to those who apprehend that local taxation is likely, under the present system, to be carried too far. And certainly the vigilant attention of the
50 Government of India has been, and is, directed to the subject, in order that due moderation may be observed in this important respect.

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The total income of all local funds, including new local taxes, but excluding provincial service receipts, was for 1871-72 £4,399,191, and is expected to be £3,593,078, or $3\frac{1}{2}$ millions for 1872-73. The expenditure from these local funds for 1871-72 £4,118,327, and for 1872-73 it is expected to be £2,967,601, leaving a balance in hand of £2,848,804 5 for commencement of the coming year.

Doubts seem to have arisen in the minds of some whether the provincial service system will not cause local taxation to be excluded from the revenue accounts of India: whether it will not relieve the imperial finance of expenses to be transferred to local finance; and whether it 10 will not seriously aggravate the burdens of the people.

Now, the first of these objections was obviated from the beginning by the provision that there shall be provincial budgets appended to the imperial budget; to which provision effect is now given on this the very 15 earliest opportunity.

It was not contemplated by the provincial service resolution to transfer imperial burdens to local finance to any appreciable extent. For certain heads of service a fixed annual allotment was determined by the Government of India for each local Government. The sum total was indeed less by £330,000 than the budget allotments of the year last 20 preceding. But it was held that all those budget allotments were somewhat more, than what would have been permanently allowed even without the new system; and that in practice some savings within these allotments were actually being made by the local Governments themselves. Thus the reduction did not amount to much in reality. And, at 25 all events, it bore but a small proportion to the total in question, namely, $5\frac{1}{2}$ millions. The new allotments were in fact made on a calculation of what the local Governments were being allowed to spend. Thus the allowance made was such as the local Governments might be reasonably expected to work with. And they have actually worked within it since 30 the provincial service system has come into operation. It was no part of the policy eventually adopted to cut down the allowances to an insufficient limit, and leave the local Governments to provide the remainder. The objects of the scheme were indeed more administrative than financial. And that the allotments are on experience found sufficient, is proved by 35 the statement which I now present.

As to the system aggravating the burdens of the people,—no such effect was intended by the Government of India. That no such consequence has yet arisen is proved by the facts I have just recited.

I thus come to the third part of my subject, namely, the budget for 40 the coming year, 1873-74.

The first and most important item on the receipt side is that of land revenue. In the last budget the amount was £20,900,000, which was stated to be (if adjustments and transfers were set aside) the largest sum ever presented under this head. That estimate is, however, exceeded by 45 the regular estimate for the year. And in the present budget the amount will be seen to be again somewhat larger, namely, £21,180,000. The slow but steady growth of this our greatest branch of revenue, is satisfactory; especially as it accrues at a time when revised settlements are in progress in several provinces of India, north, south, and west. The in- 50 crease is not indeed proportionate to the known augmentation of the

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agricultural resources of the country, and to the rise in prices. Indeed the revised assessments are avowedly and intentionally made more moderately, than any previous assessments in proportion to the means of the people.

5 It will be recollected that the rainfall during last summer was abundant, and that the harvest and crops, with but few exceptions have been good throughout India.

The returns of canal irrigation during the year have been less than was expected, and this is attributed to the diminished need of
10 irrigation after the abundant rainfall. The estimate for the next year, £478,000, is set down at a slight increase. Doubtless some expansion of irrigation from the canals of Northern India is to be looked for, though certainly the growth is but slow as yet.

The decrease apparent under excise, £100,000, is partly balanced
15 by a decrease in expenditure, £39,000, and is, to some extent, due to the exclusion from both sides of the account of the cost price of opium, consumed in the Bombay Presidency. A portion of the decrease is also due to the fact that, during the current year, the excise in some provinces still included, as a receipt, a portion of the gross price of opium
20 paid for in former years, which receipt will be necessarily less in the coming year. This is connected with the arrangement mentioned in my last exposition, whereby the cost price of opium retailed in India is to be credited directly to opium, and not intermediately to excise. Some small portion of this revenue has also been surrendered to certain cantonments.

25 The relative merits or demerits of the system of central distilleries, as compared with the old farming system, have been often discussed and sometimes pressed upon our consideration. While prepared to admit such modifications in the central distillery system as may be found expedient in practice, the Government have adhered to
30 the principle of that system, namely this, that the excise shall be administered not so much for the augmentation of the revenue as for the welfare of society; that everything conducive to the encouragement of the excessive use of drugs and spirits shall be avoided; and that our aim shall rather be to levy the maximum of duty, on the minimum of
35 consumption.

The heading of assessed taxes shows a sum of only £10,000. This comprises the arrears due under the Income-tax Act of 1872-73, which still remain to be collected. That Act expires on the 31st March 1873. And the Government have decided not to propose an Income-tax Act
40 for 1873-74.

The next item calling for remark will be that of customs, for which £2,649,000 are set down, being nearly the same sum as that which is shown in the regular estimate for the current year. This amount is somewhat in excess of the amounts shown in the past budget, 1872-73, and
45 in the actual account of 1871-72. It may excite remark that there should be this increase at a time when trade is known not to be flourishing generally, and when specially there has been some falling off in several dutiable imports. But the cause of the fiscal increase, on the whole, has been the very favorable condition of the export trade in grain which
50 grain mainly consists of rice exported from Bengal Proper and from British Burmah. The rice is sent chiefly to the United Kingdom and to 1873-74.]

the continent of Europe, partly also to the Persian Gulf and to the British colonies, in quantities annually increasing, as will be seen thus:—

	1869-70.	1870-71.	1871-72.	1872-73. 9 months only.	
	Cwt.	Cwt.	Cwt.	Cwt.	
Rice exported from India to foreign countries ...	10,614,644	16,087,813	17,311,285	15,692,310	10

It is hardly necessary to dilate on the importance of this exportation of an agricultural product, which is specially Indian, and which is an article of food for the nations of Europe.

At one time an apparent discrepancy was discovered between the 15 Indian return of rice exported nominally to the United Kingdom and the English return of the same article imported into that country, the former being in excess of the latter. This, however has been on enquiry accounted for by the fact, that the vessels which carry rice destined for the continent of Europe, clear nominally for the United Kingdom and call 20 at the channel ports; and there, without unloading their cargo, wait for orders, on receipt of which they proceed to the continental ports. The cargoes of such vessels would necessarily appear in the India returns as exportations to the United Kingdom, but would not appear in the English returns at all. Consequently the Indian returns would be 25 *pro tanto* in excess of the English; and hence the discrepancy which is thus accounted for.

The trade returns for 1871-72 have recently been published. It will therefore have been already seen how the total return of that year, the last completed year, was, on the whole, one of the largest ever 30 known in British India, and the best that has occurred since the close of the American War, and since the period when the exportation of Indian cotton was so abnormally high. The total value of the trade of 1871-72, merchandise and treasure together, amounted to more than 107 million sterling; and this large amount is brought out notwithstanding the fact that the imports of merchandise were somewhat low, 35 amounting to only 31 millions in value. The real cause of the magnitude of the aggregate, then, is the amount of the exports which rose to the high value of 63 millions sterling. With the exceptions of three 40 articles, raw silk, saltpetre, and seeds, there was an increase all through the list of our export staples. The cotton export, though far from being the highest known, yet amounted to 809 millions of pounds or 2 millions of bales at 400 lbs. per bale. The jute export rose to the unprecedented amount of 6 millions of cwts.; the rice export to 17 millions of cwts. These are the three most important of our staples. Two articles specially 45 interesting to our countrymen in India, namely, tea and coffee, have in this return a more favorable place than ever: the export of coffee amounts to 56 millions of lbs., and that of tea to 17 millions of lbs.

In my last exposition attention was drawn to the magnitude of our exports, and encouragement was thence derived as to the future 50 prospects of the country. The total value of the exports then amounted

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to 5. ... sterling. But now another year's figures are before us, and the total has risen to 63 millions.

But although the past year, 1871-72, has in this respect ended so well, there is every reason to fear that the out-turn of the current year, 1872-73, will be less favorable. Up to a recent period the prices of cotton have been comparatively low, and the export has fallen off. There is also a serious decline (under the heading of oil-seeds) in the exportation of rape-seed: but as this arises from a failure of the crops of this staple in some districts, it will prove, we hope, to be but temporary. The importation of British piece-goods shows some tendency to decline; and the condition of that important branch of trade does not seem to be considered satisfactory by those engaged in it. The exportation of jute (fibre) is very large, and that of rice continues to flourish.

The influence of the Suez Canal upon the trade of India is becoming more and more marked every year. I subjoin a table of the value of merchandise (excluding treasure) from Bengal, Sindh, and Burmah, which has passed through the canal during the three years that have elapsed since its opening. Returns have not been received from Madras and Bombay:—

				1870-71.	1871-72.	1872-73 (11 months).
				£	£	£
<i>Bengal.</i>						
Imports	...	...	...	6,289,414	8,682,250	9,097,286
Exports	...	...	...	2,154,254	5,454,772	5,385,485
Total				8,443,668	14,137,022	14,482,771
<i>Sind.</i>						
Imports	...	...	...	...	30,708	59,595
Exports	...	...	...	...	88,158	131,450
Total				...	118,866	191,045
<i>British Burmah.</i>						
Imports	...	...	...	29,680	273,462	724,627
Exports	...	...	...	16,978	149,956	398,891
Total				46,658	423,418	1,123,518
<i>Grand Total.</i>						
Imports	...	...	...	6,319,094	8,986,420	9,881,508
Exports	...	...	...	2,171,232	5,692,886	5,915,826
TOTAL				8,490,326	14,679,306	15,797,334

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The amount for Bombay must, in all probability, be nearly equal to that for Bengal, 14½ millions for eleven months of 1872-73. Thus the figure for Bombay may be assumed at 14 millions sterling. Judging from the proportion of the vessels employed in the Madras trade, I assume that the amount for Madras cannot be less than 6 millions. In this way, the aggregate value, actual and estimated, will not fall short of 36 millions sterling.

If the total annual value of the entire foreign trade of India be taken at 100 millions, it would then appear that a portion represented by 36 per cent. in value of the trade of India is passing through the Suez Canal within three years of its opening.

The above comparison is not however strictly relevant, because it includes a large quantity of merchandise which, belonging to the Eastern and Southern trade, could not possibly pass through the canal. A test can best be had from a comparison with the trade of India with Europe and America. The value then of the merchandise (excluding treasure) of the trade of India with Europe and America during 1871-72 amounts to £69,635,773, or 69½ millions. As already seen, the value of the merchandise passing through the canal during 11 months of 1872-73 amounts to 36 millions, which gives a percentage of 51 upon the 69½ millions. It is thus evident that more than half of the trade of India with Europe and America is already passing through the Suez Canal.

I add a table of the number and tonnage of vessels which passed through the Suez Canal to and from India during the last three years:—

YEARS.		BENGAL.		BOMBAY.		SIND.		MADRAS.		BRITISH BURMAH.		TOTAL.	
		Vessels.	Tons.	Vessels.	Tons.	Vessels.	Tons.	Vessels.	Tons.	Vessels.	Tons.	Vessels.	Tons.
1870-71 ...	Entered	56	56,353	58	58,568	...	...	34	37,837	5	3,780	153	156,538
	Cleared	40	43,438	77	74,828	1	576	11	12,568	6	5,416	135	136,826
	TOTAL ...	96	99,791	135	133,394	1	576	45	50,405	11	9,196	288	293,363
1871-72 ...	Entered	89	109,175	90	93,258	6	4,022	50	63,146	19	14,843	254	284,444
	Cleared	85	105,065	90	91,303	2	1,637	24	28,470	17	13,625	218	240,100
	TOTAL ...	174	214,240	180	184,561	8	5,659	74	91,616	36	28,468	472	524,544
1872-73 (11 months)	Entered	81	107,570	118	132,949	5	4,390	57	78,737	62	64,107	323	397,753
	Cleared	66	91,226	100	101,987	6	5,390	27	39,087	50	49,375	249	287,065
	TOTAL ...	147	198,796	218	234,936	11	9,780	84	117,824	112	113,482	572	674,818

It is thus seen that in the eleven months of 1872-73 there have passed through the canal 572 vessels with 674,818 tons.

As the shipping annually engaged in the trade of India with Europe and America is represented by an average of 2,687 vessels and 2,760,242 tons, it follows that 21 per cent. of the number of vessels and 24 per cent. of their tonnage pass through the Suez Canal already.

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The comparison refers to merchandise only. There is also the treasure, the amount of which fluctuates greatly from year to year. At present it is for the most part carried by vessels of the Peninsular and Oriental Steam Navigation Company, which vessels have seldom made use of the canal.

In my last financial exposition the fact was adverted to, that for the latest completed year (1870-71) the import of treasure amounted to only $5\frac{1}{2}$ millions sterling—a very low sum as compared with the average of preceding years (14 millions). The importation was however stated to be then on the increase. And accordingly for 1871-72, the import of treasure stands at $11\frac{1}{2}$ millions. But during the current year 1872-73 the influx of treasure has for the most part ceased. The quantity of bullion presented for coinage at our mints at Calcutta, and Bombay, is very small, and it may be said that the mint establishments are for the time, in a state of unavoidable inaction. The proximate cause is not far to seek, and is found in the condition of the exchange between India and England. The exchanges have been, for Secretary of State's bills, on the average rate of 1s. $10\frac{3}{4}$ d. to the rupee, and have not since May last reached 1s. 11d., which rates are of course unfavorable to India. A discussion of the causes again of this low range of the exchange rates would exceed the limits of this exposition. But the diminished values and quantities of the cotton exports, immediately suggest a reason. And another reason is doubtless connected with the inevitably large drawings upon India by the Secretary of State in England, now that India has to remit annually the sum of her whole debt to the home treasury, without any assistance being derived from the capital payments in England by the guaranteed railway companies of India.

In my last exposition I endeavoured to show how necessary it is for India, that she should be able to sell progressively large quantities of her produce to other nations, in order that she may have the means of arranging for the annual remittance of her great debt to England, now more than 13 millions sterling a year. From this point of view, the returns for the last complete year, just commented on, are eminently satisfactory, as proving that India, by the development of her export trade, is duly providing herself with such resources.

I have thus dwelt for a few moments on the condition of our trade, because it affects, not only our customs revenue primarily, but secondarily, several other items in the budget, such as the mint receipts, the loss by exchange, the net traffic receipts of the guaranteed railways, and also to some extent the prices and returns of opium.

For the next item, salt, a sum is taken nearly in accordance with the regular estimate of the current year, the fiscal yield remaining stationary. The various rates of the salt duty, which prevail, and the various modes of levying the duty, in the several provinces of India, have been carefully considered by the Government.

The sum set down for opium is £7,500,000, or $7\frac{1}{2}$ millions, being somewhat less than the $7\frac{3}{4}$ millions set down in the last budget, and considerably less than the $8\frac{3}{4}$ millions which will be received during the current year. The estimate consists of two parts: one relating to Bengal opium, the other to Malwa and Bombay opium.

For the Bengal opium the quantity is small, consisting of 31,500 chests, taken from the supply of the harvest of 1872, for three quarters of the financial year 1873-74; and 11,250 chests for the last quarter to be taken from the harvest of 1873, in all 42,750 chests. The harvest of 1873 is not yet gathered, and its out-turn cannot be confidently predicted. The early promise was good, but subsequently doubts arose which have not been altogether removed. An abundant yield is hardly hoped for now. But whatever the yield may be, we do not intend to take from it more than what may suffice to make up a certain supply for the calendar year 1874. It is not intended to sell more than 45,000 chests in that calendar year. The expectation is that the yield of the present crop will suffice to provide at least that number of chests, though on this point no guarantee can be given. But if, as we hope, the yield shall be in excess of this standard, then the surplus quantity will be devoted to forming a reserve supply of chests on which we may draw in order to make up for future deficiency of harvest. The object in view is to prevent any considerable variation in the supply from year to year, and to promote steadiness in the prices. The attainment of this object, though always kept in view, has been of late retarded by the unpropitiousness of the seasons for two consecutive years.

The average price has been assumed at Rs. 1,200 or £120 per chest. This is less than the average of the prices, as explained to-day, which have prevailed during the current year. But the tendency for the last few months has been slightly towards decline, and the contingency of a fall in prices must be guarded against. In the last budget the estimate of Rs. 1,200 or £120 per chest was considered to be as high as the then existing circumstances would warrant. The prices are now considerably lower than they were then. Still, in consideration of the present state of prices, and the small supply that we are providing for sale, it is thought that we may assume the same average price without overstepping the bounds of prudence. It cannot be too often repeated in financial expositions that a safe and moderate estimate of the opium revenue is one of the mainstays of our finance.

The estimate of the Malwa opium revenue is framed on the calculation of 37,050 chests being brought forward for exportation. Under the circumstances of the trade, and the known facts of the past and the current year, this expectation for the coming season seems to be sufficiently well founded.

The estimated exports of the Malwa opium, combined with the comparatively certain sale of Bengal opium, will bring up the probable total supply for the Chinese market during the year to 79,800 chests.

The stamp receipts show an increase of £51,000, which is wholly nominal, owing to the intended collection, for the first time, of fees for the service of processes in Madras by means of stamps. Otherwise these receipts are taken at the same amount as that shown in the regular estimate. In my last exposition I described the growth of this branch of revenue in recent years. The development must now be gradual, concurrently with the progress of wealth, activity and enterprise. The use of adhesive stamps, in substitution of the old impressed stamps, has been ordered for nearly all departments and classes of documents,

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with a large saving of expense and labor. The adhesive stamps are being prepared in England with the advantage of precise mechanical execution. Notwithstanding the opinion entertained by some that the method of affixing stamps will afford some opportunities of forgery and malpractice which were not afforded under the system of impressed stamps, we trust that with the use of adhesive stamps, forgery and malpractice will be more difficult than ever; and in this view we are supported by the experience of the postal and telegraphic departments.

The mint receipts are set down at the very low amount of £40,000, which is based on the apprehension that no more than two millions sterling worth of silver bullion may be presented for coinage during the year. For the current year a much larger amount (8 millions worth) was anticipated in the budget, the matter being avowedly one of much uncertainty. But, as has been explained to-day, the actual amount proved to be insignificant. And at present the promise for the future is hardly more favorable. Bullion is not flowing into the country; the mints are still inactive; the rate of exchange is lower than usual at this season of the year.

The postal receipts are estimated at a sum (£719,000) which is more than the amount received during the current year, but, on the other hand, less than the actual amount of the past year (1871-72). The great fluctuation in the receipts of the current year in official postage has been already explained to-day; and the same cause will continue to operate beneficially in keeping down the official postage during the coming year. But there will, it is hoped, be some slight advance in private postage; and a large increase is caused on both sides of the account by the incorporation in the postal account of the receipts and expenditure for certain services hitherto recorded separately.

The estimate of electric telegraph receipts in India shows a slight increase, which is justified by the increase of private messages under the improved tariff introduced two years ago. But the receipts of the Indo-European line have fallen off by reason of the competition of private companies; and this causes the total (£225,000) to show no increase, and even a slight decrease.

The slight diminution in the receipt under interest has occurred in the home estimates. In India the item stands well, being chiefly derived from the investment of a part of the specie reserve of the paper currency, which investment has been brought very nearly up to the limit of six millions fixed by law.

Under the head of railway receipts the gross traffic earnings of the new state railways are beginning to appear: for the present year the amount is small, being only £39,000; doubtless it will grow year by year as the lines are opened.

The rest of the item consists of the gain by exchange on the sums received in India on account of the guaranteed railways under the arrangement explained more than once in my previous expositions. As the traffic receipts are large, and as the payments for the construction of the lines are becoming small, the net gain on this exchange account is considerable. Questions have been raised whether the rate of 1s. 10d. to the rupee fixed in 1849, whereby the payments and receipts are accounted for to the principal railway companies, is a just one in the 1873-74.]

interests of India. Having seen the working of the arrangement for some years, I may declare my belief that it is quite just. Until recently the result of the transaction was a net loss to the Indian treasury; but in the present, and probably for the future, the result will be net gain. It may be said that the actual rates of the exchanges have been high heretofore, but are now lower, and are likely to continue low; and that thus while we were losing, the loss was computable at a high rate, and when we shall be gaining, the gain will be computable at a low rate. This may prove true, but, on the other hand, the period of loss has been comparatively short, and the period of gain will probably be long; and, on the whole, I infer that the arrangement of 1849 was made with skill and foresight.

The total of receipts is set down at £48,286,000, or £48½ millions.

On the expenditure side the first item is that of interest on the funded debt. This accrues in nearly equal portions in England and in India. The portion in England shows some slight diminution (£25,000), due to the expected conversion of 5 per cent. sterling debentures. The portion in India shows a larger reduction, as it is set down at £2,792,400, whereas in the current year it is estimated at £2,872,100, and in the past year it amounted to £3,032,672. This diminution is due to the conversion operations explained in my last exposition, whereby the interest on 16½ millions of debt was reduced from 5 to 4½ per cent., with prospect of further reduction to 4 per cent. Moreover, in the early part of the current year, it was considered that some small part of the cash balances might be safely invested, for a time, in Government securities, and thus yield a profit to the exchequer until such time as it might be required for the public service. With this view a million sterling was applied to the purchase of Government securities, producing a saving in interest here shown of £46,000 for 1873-74. This saving was for the most part realized in the year 1872-73 also, but then there was a debit of the premium paid upon the promissory notes purchased.

The items of interest on service funds and other accounts, and of refunds and drawbacks, do not seem to require remark.

In the charges connected with the land revenue there is a slight tendency to increase, by reason of the settlement operations in progress in several provinces. This outlay will, however, prove beneficial, and its good effect has been already seen to-day on the receipt side of the account.

The items of expenditure on forest, excise, customs, salt, opium, stamps do not seem to require further remark here.

The mint charges show a reduction as might be expected after what has been explained regarding the slow influx of bullion. It is impossible to reduce fully these highly organized establishments in reference to a cessation of work, of which the resumption may become necessary at any time, under circumstances which cannot now be foreseen.

The increase shown under the head of post office does not indicate any expansion of the regular establishment. On the contrary, the establishment is being reduced to some extent. It arises from the incorporation of the accounts of certain separate services, as has been already explained on the receipt side. In the electric telegraph there is a slight decrease, which occurs in the home estimate. In reference to the slow growth of the income of the department, it is much to be wished that this expenditure could be lowered.

The items of administration of minor departments, of law and justice, and of marine, exhibit no noteworthy change.

The grant for ecclesiastical services (£157,000) provides for vacancies in the roll of the chaplains being filled up, so that this important establishment may be maintained at its present complement.

The political charges are set down at some increase, £74,000, to meet the various requirements of the political service.

The heading of loss by exchange shows an increase of £110,000.

The Secretary of State has warned us that he must raise by bills during the year 13½ millions sterling. And, after consulting the best authorities on the spot, we have assumed a rate of from 1-10½ to 1-10⅔ to the rupee, which gives an estimated loss of £850,000.

The miscellaneous heading shows a large decrease as compared with the current year. This mainly arises from the circumstance that the heading had become swollen by certain payments under decrees of the Privy Council, which will not recur.

The allotments for provincial services are set down at £5,156,000, or 5½ millions, a sum slightly below that of the regular estimate, which includes various grants that will not re-appear. I need not add anything here to the explanation already given in respect to this important branch of the expenditure.

The army charges are estimated at £15,524,000 or 15½ millions, showing a decrease of £122,000. This is the lowest amount set down for the army since the year 1863-64.

The revised estimates of military expenditure in India during the current year, 1872-73, for reasons already explained, was reduced to £12,025,000. But this included extraordinary charges for the Looshai expedition, £75,000, arrear charges for the overland troop transport service, £30,000, arrear charges of the Order of British India, pay to the Native Army, £14,000, and special payments to Artillery officers on retirement, £9,000,—amounting in all to £128,000. Deducting this sum from the aggregate estimate, there will remain £11,897,000, as the estimated ordinary expenditure of the year 1872-73.

For the coming year 1873-74, the budget is for £11,845,000 in India, or £52,000 less than the estimated ordinary expenditure of the preceding year. In framing the budget, regard has been had to the actual experience of the past and current years. Abatement has been made for officers of the staff corps and general lists, who have elected, or may elect, to reside in England under the provisions of the order of 1st August 1872. The stud expenditure has been curtailed, consequent upon the reductions recently ordered by Government. The provision for supplies in the commissariat, barrack, and ordnance departments has been made on the lowest scale compatible with the actual requirements in each case. The extended employment of the overland transport service, and the diminution of reliefs of troops between Indian ports, will admit of a reduced provision. Then we have not this year to make provision on account of any military expedition.

There is indeed a net increase of £62,500 in that part of our military expenditure which is incurred in England. On the one hand, there is an increase of £120,000 on account of clothing and ordnance supplies, and from the recent extraordinary rise in the price of iron-work and
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other stores; also an increase of £50,000 in the item of retired pay of officers of the Indian service consequent on the retirement of a large number of officers of the Royal Artillery, and the succession to Colonel's allowance of many other Indian officers. On the other hand, there is a decrease of £108,000 in the cost of troop transport service, and of £20,000 in retired pay of troops which have served in India. 5

The grant for public works ordinary stands at £2,354,000, or 2½ millions. It will be remembered that this amount is irrespective of the grant for roads and civil buildings which is included in the allotments for provincial services. It thus relates only to particular civil works which still remain under the direct financial control of the Government of India, and to military works for the accommodation of the troops. Out of the above sum the portion relating to the military service amounts to £1,150,000. 15

The charge for guaranteed railway interest, less net traffic receipts, is set down at £1,790,000, or 1¾ millions. This may be considered as an average charge in the present period. The gross payment for this interest is taken as £4,690,000. From this sum there is an abatement of £2,900,000 net traffic receipts (after deduction of working expenses), which leaves the amount of £1,790,000 above shown. 20

The charge is £327,000 less than that which we expect to have to pay this year, but I have already explained that the unfavorable result during the current year is largely due to circumstances which are not expected to recur. 25

The total ordinary expenditure is set down at £48,066,000, or 48 millions.

The total ordinary expenditure, compared with the total receipts already shown, leaves a small surplus of £220,000.

Besides the ordinary expenditure, as above explained, there is set down a proposed extraordinary expenditure of £3,878,000, or more than 3¾ millions, on public works, of which £1,266,000 are for canals of irrigation, and £2,612,000 for state railways. The irrigation works on which progress is being made are the canals from the Jumna near Agra, the lower Ganges canal, the canal from the river Soane, and the completion of the canal system in the deltas of the Kistna and the Godavery, the improvements of the western Jumna canal, and the Moota project in the Bombay Presidency. The state railways consist of the line from Agra to Jeypur, the Sambhur salt lakes, and Ajmere; the line from Rewaree to Ulwur to join the last named railway; the line from Lahore towards Peshawur, where the operations are chiefly directed to the bridges over three great rivers; the Indus valley line; the Wurda line to the coal mines near the Nagpur country; and the Holkar line from Nimar to Indore. Perhaps doubt may be felt whether a sum in itself so large, and so much larger than the sum expended in any previous year, can be advantageously laid out during the coming year. But the expenditure on the canals is to be much the same as that which is shown for the current year, and the plans and designs, as already explained, are mature. The proposed increase is to be found in the state railways, which lines have been sanctioned and are in the hands of contractors, whose interests and obligations impel them to strive 50

for completion within specified periods; and the capacity evinced by them warrants the belief that they will punctually perform their allotted tasks. Moreover, a considerable part of the expenditure is for stores in England, which doubtless, will be provided in the manner laid down.

5 It would, therefore, be prudent to be prepared for the demand of the $3\frac{3}{4}$ millions for this important outlay, the progress of which must immediately promote the wealth and power of the country, and the delay of which would represent so much advantage lost.

But, in relation to this, we must remember the state of the estimate
10 appended to my last exposition, styled "the estimated account of money raised by loan for reproductive works and of extraordinary expenditure" for 1871-72. The account showed a balance of £2,648,185 of loan money to be carried forward to 1872-73. The actual account now presented shows a balance of £3,814,366; and an estimate in the same form
15 shows that by the end of the current year the loan money will have been exhausted, the net amount borrowed being in excess of the net expenditure on reproductive works by £266,194.

This result entirely accords with the expectation held out in my last statement.

20 Up to the end of 1872-73, the extraordinary expenditure has been defrayed out of the cash balances augmented by loans previously raised for this purpose. But in 1873-74 it is to be defrayed from the cash balances without any such augmentation. That this should be found possible is a circumstance affording cause for much satisfaction. And
25 the statement of the cash balances which I shall presently make will amply testify to the possibility.

If it be thought strange that our cash balances should be so strong as to bear the drain of $3\frac{3}{4}$ millions for these works without any borrowing, then we must remember that there is still an excess amount of money, $2\frac{1}{2}$
30 millions, in the treasury, which belongs to the railway capital account, as I shall presently explain; to which extent the cash balances are abnormally augmented. Then there is the accumulated surplus on the ordinary account of several past years. It is true that this surplus may be regarded as recouping the deficit of previous years, as already shown in
35 this exposition. But it is to be remembered that, in the years when that deficit occurred, there was borrowing both for ordinary purposes and for extraordinary public works, as shown in my exposition for 1869-70 on the 6th March 1869; that is, $6\frac{1}{2}$ millions were borrowed, out of which 3 millions were expended on public works extraordinary. In this way
40 the fact of the balances being able to bear the present strain will be fully accounted for.

In a former part of this exposition I have shown that the deficit from 1866-67 to 1868-69 has been nearly counteracted by the accumulated surplus from 1869-70 to 1872-73. Accordingly, there ought not,
45 at the present time, to be any increase over the debt at the close of 1865-66 on account of the deficit of the three following years. But I showed in my statement of 6th March 1869 that for meeting that deficit three and a half millions were borrowed. Hence, it is expedient and proper that the three and a half millions which we have on hand from the
50 surplus of the three years now expiring should be employed on public works extraordinary in the stead of an equal amount of borrowing. This 1873-74.]

will have the same effect on the public debt as if it had not been increased by $3\frac{1}{2}$ millions for meeting the deficit from 1866-67 to 1868-69; or, in other words, the arrangement will be virtually equivalent to a diminution of debt.

In previous expositions I alluded to the doubts apparently entertained in some quarters, first, as to whether the loan money has been really applied to the public works extraordinary, and, secondly, whether a proper account is published annually of these moneys and of this expenditure. I have now presented three yearly accounts of these transactions, from the beginning of 1869-70 to the end of 1872-73. That account must now be regarded as closed, inasmuch as we are now to carry on the works without having any loan money in hand. And as the Government of India has desired to discharge fully its obligations in respect to these transactions, I append an additional abstract of this account for the four years 1869-70 to 1872-73 inclusive.

It has been urged that, in order to prove that the loan money has been rightly applied to the works for which it is intended, there ought to be accounts annually published, demonstrating this to be the case. The statements above adverted to are accounts of this nature. Whatever differences of opinion there may be as to the form of such an account, the substance of it ought to be this, that on one side there should be all the loan receipts, and on the other side all the expenditure on the specified classes of works. And this is exactly what these statements show. On the one side there are the several loans, item by item, embracing all the loan transactions of the Government of India for the period; on the other side there is the expenditure—divided into the three heads, irrigation, state railways, and advances to municipalities,—and embracing all the disbursements under that category. The receipt side of the statement depends on the accounts audited partly at the India Office in London, and partly by the Comptroller General at Calcutta; the expenditure depends on the accounts passed by the public works auditors, and as regards municipalities on accounts audited by the Comptroller General.

But another account will be required to show how far the works become profitable and how far they repay the interest paid by the State on the capital borrowed for their construction. It is to be remembered, however, that the works undertaken since 1869-70 are quite incomplete, so that with insignificant exceptions there can be neither income nor working expenses.

As regards the transactions with municipalities, this account would be simple; on the one side, so much interest paid by the treasury on the loan funds advanced to the municipalities; on the other side, so much recovered from municipalities in defrayal of the said interest, or in repayment of the advance.

As regards state railways the case is also easy, as their accounts will be kept in the manner so well established for the guaranteed railways.

As regards canals there is some difficulty, which I must pause for a moment to explain.

So much of the canal income as is represented by water-rent is, and always has been, shown in the accounts; so much as arises from improvement in the land revenue is not so easily shown.

For the future, in the Bengal Presidency, where the largest works are to be undertaken, the canal laws contain provisions in regard to the rating. In these provinces then we shall have such certainty as may properly be embodied in accounts. For the other parts of India
 5 it may not be practicable to enact such provisions or to obtain such certainty; and for those provinces we must accept the best calculations that can be made by the local authorities.

Thus the establishment of a revenue account of the canals of the period beginning from 1869-70 is in due train.

- 10 It has also been suggested that such an account should be prepared for works of periods antecedent to 1869-70, such as the Ganges canal, the Punjab canals, and most of the Madras irrigation works. Now, so far as expenditure on one side, and water-rent on the other side, may go, the account has been duly made up. But in Northern India the water-
 15 rent shows only a part (though a large part) of the canal income; the remainder consists of improvement in land revenue. In the Madras presidency generally (with the exception of the particular works belonging to the Madras irrigation company), there is no such thing as water-rent; the whole income of canals consists of improvement of the land revenue;
 20 and therein is room for controversy. Some will claim the entire improvement of land revenue from one period to another; others will demand abatement alleging that there would have been improvement, in the land revenue even without the canals, and as no capital or revenue accounts were formally established at the outset for any of the canals, whether in
 25 Northern or, in Southern India, the preparation of such statements at this late period cannot be satisfactorily completed. Why at the beginning, some 30 or 35 years ago, such accounts were not drawn out is a question which may be asked, but cannot now be perfectly answered. The works were then constructed out of ordinary income; there were no separate
 30 transactions for raising funds; the regular income might not always be sufficient to defray such outlay, and there might be deficit: such deficit, however, was not attributed to this outlay in particular, but to the general expenditure. And the broad consideration was that, in constructing these works, the Government was fulfilling one of its highest duties, and
 35 conferring a public benefit, the cost of which might fairly be borne by the general revenues.

- On the whole, it may be said that the capital and revenue accounts will be made quite complete for the new canals, namely, those of the Soane, of Sirhind, of the Jumna near Agra, of the lower Ganges, and
 40 of Orissa; that they will be nearly complete for the canals of the Ganges, of the Jumna, eastern and western, and of the Baree Doab; that they will be made up in some form for the Madras canals, but whether such form will at all approach to the exact nature of an account is more than I can say at present. For any new works that may be undertaken in the
 45 Madras or Bombay Presidency, or in any province, there will be capital and revenue accounts.

- As regards the Madras irrigation works, however, I can affirm—having had the advantage of studying the subject on the spot in company with the best informed authorities—that they are eminently suc-
 50 cessful, and abundantly remunerative in the highest sense both to the State and to the people; and that the benefits, direct and indirect, are
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so great that they can hardly be represented adequately by any regular account, in whatever form it may be prepared.

I now proceed to the fourth and last division of the subject, namely, the ways and means and the cash balance account.

It will be remembered that the regular estimate for the past year, 1871-72, showed an expected cash balance in India at the close of that year of £21,640,143, or 21½ millions. The accounts, however, for that year, as finally made up, show a cash balance somewhat exceeding the estimate, namely, £21,997,715, or 22 millions. This excess is attributable to the surplus of income over ordinary expenditure being larger than was expected, and the extraordinary expenditure being somewhat less.

For the current year, 1872-73, the budget gave an estimated cash balance at the close of £17,541,543, or 17½ millions in India. The regular estimate now shows a somewhat larger sum, namely, £19,300,000, or 19¼ millions.

There have been various causes during the year affecting the amount of the balance—some favorably, others unfavorably. The circumstances producing a favorable effect have been, first of all, the excess sum of £357,572 in the opening balance; then the expenditure in India on public works extraordinary has been less than estimate by £204,700; the surplus of income over ordinary expenditure in India has been greater by £1,053,300, and the railway capital account by £1,143,000. On the other hand, the causes operating in diminution of the balance have been the increase of £1,260,000 in the amount of Secretary of State's bills paid, and the investment of one million of the cash balances as already explained.

The coming year 1873-74, which is expected to open with a cash balance of £19,300,000 as just seen, has an estimated balance at its close of £14,800,000, or nearly 15 millions. It is not now proposed that there should be any borrowing, either in England or India, for the public works extraordinary. In my last exposition it was shown in detail that in 1872-73 we had 2½ millions in hand remaining of the money raised by loan. It was then expected that the expenditure of the year for these works would absorb the above-mentioned remainder. This expectation, as already seen, has been actually fulfilled.

As directly bearing on the amount of cash balance which ought to be kept up, there is still the fact, adverted to in my previous expositions, that the exchequer owes a considerable sum on the capital account with the guaranteed railways. On the last occasion it was shown that the payments from the treasuries for the construction of the lines, when set against the capital subscriptions in England received by the Secretary of State, left a debt due by the treasury of 3½ millions. This debt has now been reduced to 2½ millions. Even the reduced sum, however, is considerable, and the fact dictates the necessity of maintaining a strong cash reserve.

This circumstance again has a bearing upon the amount to be drawn from India by the Secretary of State during the year. This amount is set down (as already stated to-day) at 13½ millions, for which purpose we estimate that bills to total amount of 14½ crores of rupees must be drawn upon India. It is arrived at in this way: the net expenditure

ordinary in England on account of the Government of India is estimated at £7,943,800, or 8 millions; the extraordinary expenditure, chiefly stores for works in progress in India, at £832,200, or more than $\frac{3}{4}$ th million; the guaranteed railway interest at £4,652,000, or $4\frac{1}{2}$ millions. These 5 three items make up the amount of £13 $\frac{1}{2}$ millions.

I may here add that the amount of the bills drawn by the Secretary of State, outstanding at the beginning of 1873-74, is expected to be £863,000.

The general cash account of the Indian treasury will be found in 10 the appended statement of the estimated receipts and payments in England and in India during 1872-73 and 1873-74. It will be sufficient here to mention the main items in the statement for 1873-74.

For 1873-74 then, on the receipt side (total for England and India), besides the opening balance of £22,138,852 and the Government income 15 of £48,286,000 already described, there are traffic receipts of guaranteed railways, recoveries and deposits, provincial and local funds, and receipts on remittance and suspense account, which bring up the total to £138,117,527, or more than 138 millions. On the payment side, besides the Government expenditure, ordinary and extraordinary, as 20 already described, there are working expenses of guaranteed railways, advances recoverable, deposits to be repaid, sums payable on bills drawn by Secretary of State, disbursements for construction of guaranteed railways in India, and some transfer entries, which bring up the total to £121,052,959. This total, on being deducted from the total on the 25 receipt side, leaves the anticipated sum of £17,064,568, or 17 millions, as the probable balance at the close of the year, that is, on the 31st March 1874.

The statement also shows, in separate columns, an abstract estimate of the cash account kept by the Secretary of State in London on account 30 of India for 1873-74. On the receipt side there is the opening balance of £2,838,852; the amount to be received on bills of exchange drawn on India is set down at 13 $\frac{1}{2}$ millions; there will be 1 $\frac{1}{2}$ million railway capital subscribed; all which, together with some smaller items, make up a total of £18,139,527. On the payment side there will be an ex- 35 penditure in England on account of India of £13,575,200; there will be £1,142,700 paid on the remittance account, and there will be £1,154,059 of railway capital withdrawn. These, together with some smaller items, make a total of £15,874,959, which, deducted from the total on the receipt side, leaves a probable closing balance of £2,264,568 on the 31st 40 March 1874.

In the statement there will be found an entry on the receipt side of £1,100,200, "borrowed," notwithstanding that no loan is to be raised, as already stated, which item is, however, partly counterbalanced 45 on the payment side by £833,900, "debt paid." These entries relate to the consolidation of the 4 per cent. loans of 1824-25, and 1838-29, and others, into the similar loans of 1842-43 and of 1865; also to the issue of notes of the 4 $\frac{1}{2}$ per cent. loans of 1870 and 1872 in lieu of the 5 per cent. notes of 1856-57 and the 4 $\frac{1}{2}$ per cent. notes of 1856-57. In all these cases the amount of notes issued appears under the head 50 of "borrowed;" and the amount of notes received appears under the head of "debt paid." There are some cash payments on some of 1873-74.]

the notes of 1856-57 loan which had to be discharged, because the holders failed to make application for transfer to the loan of 1872. There is also an instalment of the sum to be advanced by the Maharaja Sindhia for the construction of a railway from Agra to Gwalior, and an instalment of the payments made by the Maharaja Holkar for the railway to Indore, as adverted to in my previous exposition. 5

The estimates relating to the budget are elaborated by a sound method. First, they are prepared by the executive authorities on the spot; then transmitted to the local accountant general, and, after revision by him, examined by the local Government. After this, they are submitted to the Government of India in the Financial Department in the beginning or middle of January. They are then considered there, heading by heading, item by item, repeatedly, as later information is received. A statement of proposed modifications is prepared and sent to each local accountant general, who in communication with the local Government, returns his answers to the Government of India during the month of February; these answers are then considered, and the result embodied in the draft budget by the beginning of March. A date is then fixed, towards the end of March; by which date the latest information on every point is sent by electric telegraph to the Financial Department; and thus the last rectifications are made in the budget estimate before it is produced. The same system *mutatis mutandis* is established for all the imperial departments, army, railways, post office, electric telegraph, and others under the direct control of the Government of India. 25

Before concluding I must touch on a few subjects connected with finance.

Since January 1872, the note circulation of the Government paper currency has developed itself considerably. For several months it has exceeded 13 millions. For the year 1872-73 the average net circulation has amounted to £12,972,340. The highest point reached was that of £13,660,872 or 13¾ millions. All these figures represent growth and expansion of the paper currency. I have hardly space enough to enter on the details of the causes of this result. One main cause, however, is immediately apparent in the increase of the export trade, as already shown; which trade promotes activity of monetary circulation between the trading ports and the producing districts in the interior. Another cause is the facility afforded by Government for the encashment of notes, under the order authorising the provincial offices of issue to cash notes of other circles besides their own within certain limits. In this way accommodation has been afforded by the encashment of several millions worth of notes which could not otherwise have been cashed. Something also has been effected by the issue of notes of additional denominations. Five rupee notes have been issued, and 557,500 of these notes have been asked for since July last, when the issue first began. The convenience to bankers and others having large transactions has been consulted by the issue of notes of ten thousand rupees. The opening of currency agencies in some of the district agencies has had but slight effect as yet. There are twenty such agencies, and the amount consigned to them in notes and in silver is over a quarter of a million sterling, or £280,000. 45 50

The Government Savings Banks of all kinds have a return of 60,000 depositors and £1,461,090; or nearly $1\frac{1}{2}$ million of deposits. The number of District Savings Banks in Bengal is 110, in which £71,095 are held in deposit by 3,646 depositors. All the above figures show a considerable increase over those of last year.

The number of Money Order Offices now open in British India is 302, against 362 as given in my statement last year. This diminution in number is owing to the abolition of many offices which were found to be inoperative. But the number of orders issued during the year 1871-72 was 251,123, amounting in value to £1,251,400, against 242,700 issued during the previous year, which amounted to £1,300,600. On the whole, it may be said that this useful branch of business performed by the State for the public is fairly well sustained.

The arrangements for a money order system between India and England have been completed, and have had effect from the 1st of October last, since which date 4,181 overland money orders have been issued and received at Bombay. The amount of these orders is £28,312. In this branch of the business we anticipate further development.

In my last exposition a classified abstract was given of the public debt of India, and reference was made to the high prices commanded by the 4 per cent. stock in India and in England. Subsequently these prices have been still higher; not only reaching par, but standing at a premium of nearly 2 per cent. in India and 3 per cent. in England. The credit of the Government of India in the money market has hardly ever been in so satisfactory a position as at present, and may be measured by a rate of interest something below 4 per cent.

I shall now summarize the chief points in the explanations which have been given. It has been shown, then—

that for 1871-72 there is an actual surplus of £3,124,178 or more than 3 millions of income over ordinary expenditure;

that this surplus is owing to increase of net opium receipts and to reduction of expenditure;

that for 1872-73 there is an estimated surplus of £1,354,000, or $1\frac{1}{2}$ million of income over ordinary expenditure, owing to increase of net opium receipts;

that the surplus from beginning of 1869-70 to end of 1872-73 will be 6 millions;

that this surplus almost counteracts the deficit of $6\frac{1}{2}$ millions which occurred between the beginning of 1866-67 and the end of 1868-69;

that for 1873-74 there is estimated an equilibrium between income and ordinary expenditure supported by a small surplus of £220,000;

that the income-tax for 1872-73, which is about to expire, will not be renewed for the coming year;

that the net receipts of the several income-tax measures, passed between 1869-70 and 1872-73 amount to £4,453,232, or $4\frac{1}{2}$ millions;

that the concession to the several local governments of increased financial control over certain provincial services continues to work well as regards both efficiency and economy;

that an account is published of the receipts and expenditure of provincial services and local funds, embracing the actual figures of 1871-72, the regular estimate of 1872-73, and the budget of 1873-74;

1873-74.]

that the 2½ millions which had remained in hand of money borrowed for public works extraordinary have been expended during the year 1872-73;

that the entire borrowing since 1869-70 having been equalled by expenditure on public works extraordinary since that date, the account of loan money and of extraordinary expenditure for that period is closed;

that capital and revenue accounts for works of irrigation are being established, as far as existing circumstances render the arrangement practicable;

that it is proposed to meet £3,878,000, or nearly 4 millions of expenditure on public works extraordinary during 1873-74 without borrowing either in England or in India;

that the Indian treasury is to meet bills to be drawn by the Secretary of State in England, during 1873-74, to the amount of 14½ crores of rupees;

that the cash balances in India are estimated at £19,300,000 on the 31st March 1873, and at £14,800,000 on the 31st March 1874;

that the interest on the public debt of India has been reduced by £235,000 per annum since 1871-72 with a prospect of still further decrease;

that the government paper currency has had a circulation of more than 13 millions sterling;

that the prices of the 4 per cent. securities of the Government of India have been higher than ever, and that the stock now commands a premium of 2 per cent.

In concluding this exposition, I need not again dwell on those principles of financial policy which have been vindicated on previous occasions. On a retrospect of the results which have accrued during the period of five years which is now approaching its termination, I find that our hopes have in some respects been more than realized, and in other respects have been disappointed. Though the ordinary revenue of India has increased, and has in a certain degree flourished, it has not proved as elastic as we might desire; its growth is perceptible indeed, but slow and gradual. The obstacles to the imposing of additional taxation, imperial or local, to any appreciable amount, have proved practically great. There are acknowledged defects in our salt duties, and in our inland customs system, and in our export tariff, which we have not yet been able to remedy. The opium crops, always regarded as precarious, have of late been subject to embarrassing vicissitudes of season. The import trade of the country, as respects European piece-goods, has hardly developed of late; and we expected that the people of India, with their recently good harvests and general prosperity, would have augmented their consumption of these goods more largely than has been the case. Although the cotton trade of India received a powerful impulse after the American war, and although the advanced position then gained is not wholly lost, still it is to be feared that the country is not fully maintaining the place it occupied for a time in the cotton marts of Europe, and is less and less able to compete with the reviving power of the Southern States of America. The extension of canal irrigation in Northern India is tardy and uncertain to a degree hardly anticipated by us after the warnings which the people have received from the periodical

recurrence of drought and famine. It is now certain that some period must elapse before the great canals, which have been undertaken or may yet be commenced in Northern India, can repay the interest on the capital laid out by the State on their construction. The earnings of the completed series of guaranteed railways are much below our anticipations: though the native passenger traffic is increasing, still the goods traffic lags behind, indicating sometimes even a tendency towards retrogression, while the competing communication by water and by road continues to prosper. For a long time to come, the possession of these railways, however beneficial in other respects, must prove to be a burden on the finances. As regards metallic currency, public opinion has not practically manifested any desire for the introduction of a gold coinage with legal tender.

These several circumstances must be sources of disappointment more or less to all persons concerned in the affairs of Indian finance.

But as a counterpart of the case, there are points where the advantages have exceeded our hopes. The aggregate of surplus income over ordinary expenditure is very considerable. Though deficit occurred in some years, it is now seen to be counteracted by surplus in other years. If the finance of India be examined upon a series of years, an approximate equilibrium between income and ordinary expenditure will be found to exist. The possibility of repressing the public expenditure within prescribed bounds has been satisfactorily demonstrated. Notwithstanding the influences of a progressive age, the demands of administrative reform, and the needs of a growing civilization, some reduction of expenditure has been found practicable. The experiment of entrusting local authorities with increased financial control, so as to secure not only greater activity in improvement, but also greater economy in administration, has proved successful. The export trade has, in regard to several of its staples, advanced in a remarkable manner. Some agricultural products, such as jute-fibre, rice, and oil-seeds, some products produced under European supervision, such as tea and coffee, are fast acquiring a prominent position in the markets of the world. The Suez canal is already exerting upon Indian trade an influence equal even to the hopes of the projectors, and is bringing the trade centres of India into direct connexion with the ports of continental Europe. The prices commanded by Indian opium in Chinese markets have been so high as to produce important fiscal results. Separate resources have been provided by loan funds for public works of a reproductive character, whereby the operations so essential to the welfare of the country can be prosecuted without the interruptions to which the course of ordinary finance is liable. On the other hand, the interests of the ordinary finance have been preserved from the temptation to charge to capital account various items which may be hard to be defrayed, but which, nevertheless, ought to be defrayed from current revenue. An effective restriction has been exercised on the transfer to the extraordinary head of charges which ought to be treated as ordinary. A separate account of the borrowing for the extraordinary public works, and of the expenditure on those works, has been successfully established. The national credit of India has stood almost unprecedentedly high, and may be measured by a rate of interest somewhat less than 4 per cent. The rate of interest which exceeded 4 per cent. on por-
1873-74.]

tions of the public debt has been successfully lowered. The note circulation of the government paper currency, though it has not spread among the masses of the people, has yet established itself at the trade centres with expansive vigour. The general treasury has remained so full as to afford a strong cash reserve, which proved of service in maintaining the public credit at a time when the occurrence of deficit had caused discouragement. Then as a part of the cash reserve was deposited in the presidency banks, it did not lie idle, but was to some extent utilised for the benefit of commerce. 5

On the whole, a comparison of those matters wherein success has been attained with those wherein disappointment has occurred, confirms me in the view that it has been possible so to administer the finances of India that troubles and difficulties might be vigorously encountered, and that in time of peace there might be exhibited a constantly increasing prosperity. In respect to the future, I need not offer any prediction. 15

[1873-74.

APPENDICES.

ENGLAND

Budget Esti

REVENUES AND RECEIPTS.	Actuals, 1871-72.	Budget Estimate, 1872-73.	Regular Estimate, 1872-73.	Increase.	Decrease.	Budget Estimate, 1873-74.	Budget compared with Regular.
	£	£	£	£	£	£	£
I.—LAND REVENUE ...	20,520,337	20,000,000	21,220,000	320,000	..	21,180,000	— 49,000
II.—TRIBUTES AND CON- TRIBUTIONS FROM N. STATES ...	744,036	728,000	737,000	9,000	..	722,000	— 15,000
III.—FOREST ...	501,924	581,000	540,000	..	32,000	584,000	+ 35,000
IV.—EXCISE ON SPIRITS AND DRUGS ...	2,369,109	2,236,000	2,318,000	82,000	..	2,218,000	— 100,000
V.—ASSESSED TAXES ...	825,241	570,000	575,000	5,000	..	10,000	— 565,000
VI.—CUSTOMS ...	2,575,900	2,570,000	2,631,000	61,000	..	2,649,000	+ 18,000
VII.—SALT ...	5,966,595	6,103,000	6,140,000	46,000	..	6,144,000	— 5,000
VII.—OPIMUM ...	9,253,859	7,700,000	8,677,000	977,000	..	7,500,000	— 1,177,000
IX.—STAMPS ...	2,476,333	2,500,000	2,578,000	78,000	..	2,629,000	+ 51,000
X.—MINT ...	96,150	160,000	54,000	..	106,000	40,000	— 14,000
XI.—POST OFFICE ...	820,894	786,000	573,000	..	213,000	719,000	+ 146,000
XII.—TELEGRAPH ..	228,368	249,000	230,000	..	19,000	225,000	— 5,000
XIII.—LAW AND JUSTICE ..	373,160	408,000	385,000	..	23,000	380,000	— 5,000
XIV.—MARINE ..	196,894	192,000	199,000	7,000	..	179,000	— 20,000
XV.—INTEREST ..	363,212	466,000	502,000	36,000	..	472,000	— 30,000
XVI.—RECEIPTS IN AID OF SU- PERANUATION, RETIR- ED AND COMPASSION- ATE ALLOWANCES ..	632,282	677,000	573,000	..	104,000	662,000	+ 89,000
XVII.—MISCELLANEOUS ..	340,531	255,000	257,000	2,000	..	220,000	— 37,000
TOTAL ..	48,334,915	47,081,000	48,216,000	1,135,000	...	46,533,000	— 1,683,000
ARMY ..	944,420	839,900	888,000	...	1,000	870,000	— 18,000
PUBLIC WORKS, ORDINARY ..	91,763	48,000	72,000	24,000	...	73,000	+ 1,000
PUBLIC WORKS, IRRIGATION ..	471,580	482,000	430,000	..	52,000	478,000	+ 48,000
RAILWAYS ..	266,395	271,000	299,000	28,000	...	332,000	+ 33,000
TOTAL ...	50,109,093	48,771,000	49,905,000	1,134,000	...	48,286,000	— 1,819,000
DEFICIT, INCLUDING P. W. EXTRAORDINARY ..	..	2,378,000	953,000	..	1,425,000	3,658,000	+ 2,705,000

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 28th March 1873.

G. FITZGERALD,
Offg. Deputy Comptroller-General.

AND INDIA.

mate, 1873-74.

EXPENDITURE.	Actuals, 1871-72.	Budget Estimate, 1872-73.	Regular Estimate, 1872-73.	Increase.	Decrease.	Budget Estimate, 1873-74.	Budget compared with Regular.
	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT	5,469,708	5,344,000	5,339,000	...	5,000	5,234,000	— 105,000
2.—INTEREST ON SERVICE FUNDS AND OTHER AC- COUNTS ...	496,591	527,000	584,000	57,000	...	536,000	— 48,000
3.—REFUNDS AND DEAW- BACKS ...	285,537	317,000	310,000	...	7,000	301,000	— 9,000
4.—LAND REVENUE ...	2,435,552	2,497,000	2,443,000	...	54,000	2,477,000	+ 34,000
5.—FOREST ...	354,616	445,000	393,000	...	52,000	420,000	+ 27,000
6.—EXCISE ON SPIRITS AND DRUGS ...	135,347	147,000	130,000	...	17,000	91,000	— 39,000
7.—ASSESSED TAXES ...	29,566	31,000	14,000	...	17,000	1,000	— 13,000
8.—CUSTOMS ...	184,921	189,000	179,000	...	10,000	185,000	+ 6,000
9.—SALT ...	477,368	439,000	466,000	...	23,000	480,000	+ 14,000
10.—OPIMUM ...	1,596,646	2,323,000	1,818,000	...	505,000	2,115,000	+ 297,000
11.—STAMPS ...	103,779	87,000	95,000	8,000	...	120,000	+ 25,000
12.—MINT ...	83,374	89,000	74,000	...	15,000	63,000	— 11,000
13.—POST OFFICE ...	657,260	743,000	697,000	...	51,000	820,000	+ 123,000
14.—TELEGRAPH ...	449,911	483,000	471,000	...	12,000	450,000	— 21,000
15.—ADMINISTRATION ...	1,541,462	1,530,000	1,503,000	...	27,000	1,538,000	+ 83,000
16.—MINOR DEPARTMENTS ...	237,698	273,000	375,000	97,000	...	312,000	+ 83,000
17.—LAW AND JUSTICE ...	2,273,813	2,363,000	2,224,000	...	144,000	2,310,000	+ 86,000
18.—MARINE ...	574,100	639,000	566,000	...	73,000	531,000	+ 15,000
19.—ECCLIASTICAL ...	155,911	161,000	152,000	...	9,000	157,000	+ 5,000
20.—POLITICAL AGENCIES ...	315,100	347,000	370,000	23,000	...	440,000	+ 70,000
21.—ALLOWANCES AND AS- SIGNMENTS UNDER TREATIES AND EN- GAGEMENTS ...	1,724,510	1,730,000	1,707,000	...	23,000	1,721,000	+ 14,000
22.—CIVIL FURLOUGH AND ABSENTEE ALLOW- ANCE ...	173,029	188,000	153,000	...	35,000	162,000	+ 9,000
23.—SUPERANNUATION, RE- TIRED AND COMPAS- SIONATE ALLOWANCES	1,453,471	1,570,000	1,572,000	2,000	...	1,530,000	— 42,000
24.—LOSS BY EXCHANGE ON REMITTANCES TO HOME TREASURY ...	395,964	500,000	740,000	240,000	...	850,000	+ 110,000
25.—MISCELLANEOUS ...	361,395	277,000	279,000	2,000	...	71,000	— 208,000
26.—ALLOTMENT FOR PRO- VINCIAL SERVICES ...	4,848,205	4,918,000	5,196,000	278,000	...	5,156,000	— 40,000
MEDICAL (TRANSFERRED) ...	181,411	178,000	182,000	4,000	...	*...	— 132,000
TOTAL CIVIL ...	26,096,745	23,400,000	23,032,000	...	368,000	23,169,000	+ 137,000
ARMY ...	15,678,112	15,362,000	15,646,000	...	216,000	15,524,000	— 122,000
PUBLIC WORKS, ORDINARY ...	2,450,497	2,332,000	2,543,000	216,000	...	2,354,000	— 194,000
RAILWAYS ...	127,343	140,000	208,000	68,000	...	229,000	+ 21,000
GUARANTEED INTEREST, LOAN NET TRAFFIC RECEIPTS ...	1,723,218	1,800,000	2,117,000	317,000	...	1,790,000	— 327,000
TOTAL ORDINARY ...	46,984,915	43,534,000	43,551,000	17,000	...	43,066,000	— 485,000
PUBLIC WORKS, EXTRAOR- DINARY ...	1,628,474	2,615,000	2,307,000	...	308,000	3,873,000	+1,571,000
TOTAL ...	43,613,389	51,149,000	50,858,000	...	291,000	51,944,000	+1,086,000
SURPLUS, EXCLUDING P. W. EXTRAORDINARY ...	3,124,178	237,000	1,354,000	1,117,000	...	220,000	—1,114,000
SURPLUS, INCLUDING P. W. EXTRAORDINARY ...	1,495,704	...	...	...	...	...	...
GUARANTEED INTEREST ...	4,592,168	4,724,000	4,665,000	...	59,000	4,600,000	+ 25,000
NET TRAFFIC RECEIPTS ...	2,868,948	2,924,000	2,548,000	...	376,000	2,900,000	+ 352,000
GUARANTEED INTEREST, LESS NET TRAFFIC RECEIPTS ...	1,723,218	1,800,000	2,117,000	317,000	...	1,790,000	— 327,000

* Transferred to Provincial Services.

H. A. MANGLES,
Offy. Comptroller General.R. R. CHAPMAN,
Secy. to the Govt. of India.

IN

Estimate,

REVENUES AND RECEIPTS.	Actuals, 1871-72.	Budget Estimate, 1872-73.	Regular Estimate, 1872-73.	Increase.	Decrease.	Budget, Estimate, 1873-74.	Budget compared with Regular.
	£	£	£	£	£	£	£
I.—LAND REVENUE ...	20,520,337	20,900,000	21,229,000	329,000	...	21,180,000	— 49,000
II.—TRIBUTES AND CON- TRIBUTIONS FROM NATIVE STATES ..	744,036	728,000	737,000	9,000	...	722,000	— 15,000
III.—FOREST ..	501,924	581,000	549,000	...	32,000	584,000	+ 35,000
IV.—EXCISE ON SPIRITS AND DRUGS ..	2,369,109	2,236,000	2,318,000	82,000	...	2,218,000	— 100,000
V.—ASSESSED TAXES ..	825,241	570,000	575,000	5,000	...	10,000	— 565,000
VI.—CUSTOMS ...	2,575,990	2,570,000	2,631,000	61,000	...	2,649,000	+ 18,000
VII.—SALT ..	5,966,595	6,103,000	6,149,000	46,000	...	6,144,000	— 5,000
VIII.—OPIUM ..	9,253,859	7,700,000	8,677,000	977,000	...	7,500,000	— 1,177,000
IX.—STAMPS ..	2,476,383	2,500,000	2,578,000	78,000	...	2,629,000	+ 51,000
X.—MINT ..	96,123	160,000	54,000	...	106,000	40,000	— 14,000
XI.—POST OFFICE ..	820,894	786,000	573,000	...	213,000	719,000	+ 146,000
XII.—TELEGRAPH ..	206,580	236,000	206,200	...	29,800	210,400	+ 13,200
XIII.—LAW AND JUSTICE ..	378,160	408,000	385,000	...	23,000	380,000	— 5,000
XIV.—MARINE ..	194,925	192,000	199,000	7,000	...	179,000	— 20,000
XV.—INTEREST ..	327,906	451,000	439,000	...	12,000	457,000	+ 18,000
XVI.—RECEIPTS IN AID OF SU- PERANUATION, RE- TIRED AND COM- PASSIONATE ALLOW- ANCES ..	585,634	584,000	482,300	...	101,700	571,400	+ 89,100
XVII.—MISCELLANEOUS ...	335,067	244,200	251,400	7,200	...	214,000	— 37,400
	48,173,718	46,949,200	48,032,900	1,083,700	...	46,415,800	— 1,617,100
ARMY ...	889,340	839,900	870,000	30,600	...	857,000	— 13,500
PUBLIC WORKS, ORDINARY ...	87,519	48,000	61,000	13,200	...	56,000	— 5,200
PUBLIC WORKS, IRRIGATION ...	471,580	482,000	430,000	...	52,000	478,000	+ 48,000
RAILWAYS ...	266,395	271,000	299,000	28,000	...	332,000	+ 33,000
						"	
TOTAL ...	49,838,552	48,590,100	49,693,600	1,103,500	...	48,138,800	— 1,554,800

FORT WILLIAM;
FINANCIAL DEPARTMENT. }
The 28th March, 1873.

G. FITZGERALD,
Offg. Deputy Comptroller General.

DIA.

1873-74.

EXPENDITURE.	Actuals, 1871-72.	Budget Estimate, 1872-73.	Regular Estimate, 1872-73.	Increase.	Decrease.	Budget Estimate, 1873-74.	Budget compared with Regular.
	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT.	3,032,672	2,875,100	2,872,100	...	3,000	2,792,400	— 79,700
2.—INTEREST ON SERVICE FUNDS AND OTHER AC- COUNTS ...	496,591	527,000	584,000	57,000	...	536,000	— 48,000
3.—REFUNDS AND DRAW- BACKS ...	285,537	317,000	310,000	...	7,000	301,000	— 9,000
4.—LAND REVENUE ...	2,428,319	2,497,000	2,438,400	...	58,600	2,473,610	+ 35,200
5.—FOREST ...	359,566	445,000	387,500	...	57,500	417,700	+ 30,200
6.—EXCISE ON SPIRITS AND DRUGS ...	135,347	147,000	180,000	...	17,000	91,000	— 39,000
7.—ASSESSED TAXES ...	29,566	31,000	14,000	...	17,000	1,000	— 13,000
8.—CUSTOMS ...	184,921	189,000	179,000	...	10,000	185,000	+ 6,000
9.—SALT ...	470,178	489,000	466,000	...	23,000	480,000	+ 14,080
10.—OPIUM ...	1,595,694	2,323,000	1,817,700	...	505,300	2,115,000	+ 297,300
11.—STAMPS ...	88,416	76,900	83,400	6,500	...	74,800	— 8,600
12.—MINT ...	77,978	86,400	70,900	...	15,500	59,500	— 11,400
13.—POST OFFICE ...	616,115	658,400	622,800	...	35,600	742,800	+ 120,000
14.—TELEGRAPH ...	366,012	364,000	348,100	...	15,900	374,000	+ 25,900
15.—ADMINISTRATION ...	1,234,681	1,244,800	1,211,800	...	33,000	1,232,900	+ 21,100
16.—MINOR DEPARTMENTS ...	227,517	278,000	317,800	39,800	...	233,700	— 34,100
17.—LAW AND JUSTICE ...	2,287,444	2,363,000	2,220,600	...	147,400	2,306,600	+ 86,000
18.—MARINE ...	376,705	394,400	369,200	...	35,200	357,600	— 1,600
19.—ECCLIASTICAL ...	155,611	161,000	150,700	...	10,300	156,100	+ 5,400
20.—POLITICAL AGENCIES ...	266,442	292,000	326,300	34,300	...	398,500	+ 72,200
21.—ALLOWANCES AND AS- SIGNMENTS UNDER TREATIES AND EN- GAGEMENTS ...	1,705,174	1,710,700	1,687,700	...	23,000	1,701,700	+ 14,000
22.—SUPERANNUATION, RE- TIRES, AND COMPAS- SIONATE ALLOWANCES ...	609,312	737,000	702,000	...	35,000	685,000	— 14,000
23.—LOSS BY EXCHANGE ON REMITTANCES TO HOME TREASURY ...	395,964	500,000	740,000	240,000	...	850,000	+ 110,000
24.—MISCELLANEOUS ...	337,209	161,300	77,900	...	83,400	42,000	— 35,900
25.—ALLOTMENTS FOR PRO- VINCIAL SERVICES ...	4,848,205	4,918,000	5,196,000	278,000	...	5,149,200	— 46,800
26.—MEDICAL (TRANSFERRED)	174,807	178,000	175,200	...	2,800	*	— 175,200
ARMY ...	22,756,983	23,969,000	23,489,100	...	479,900	23,810,100	+ 321,000
PUBLIC WORKS, ORDINARY ...	12,036,098	12,099,700	12,024,900	...	74,800	11,844,900	— 180,000
RAILWAYS ...	2,862,379	2,288,500	2,418,400	169,900	...	2,301,000	— 147,400
	127,343	140,000	208,000	68,000	...	229,000	+ 21,000
PUBLIC WORKS, EXTRAORDI- NARY ...	37,282,803	38,497,200	38,170,400	...	326,800	38,185,000	+ 14,600
	1,480,797	2,204,800	2,000,100	...	204,700	3,045,800	+ 1,045,700
TOTAL ...	38,768,600	40,702,000	40,170,500	...	531,500	41,230,800	+ 1,060,300

* Transferred to Provincial Services.

H. A. MANGLES,

R. B. CHAPMAN,

Offg. Comptroller General.

Secy. to the Govt. of India.

LAND.

1873-74.

EXPENDITURE.	Actuals, 1871-72.	Budget Estimate, 1872-73.	Regular Estimate, 1872-73.	Increase.	Decrease.	Budget Estimate, 1873-74.	Budget Compared with Regular.
	£	£	£	£	£	£	£
1.—INTEREST ON FUNDED AND UNFUNDED DEBT..	2,437,036	2,468,900	2,466,900	..	2,000	2,441,600	— 25,300
4.—LAND REVENUE ..	7,233	...	4,600	4,600	...	3,400	— 1,200
5.—FOREST ..	4,050	...	5,500	5,500	...	2,300	— 3,200
9.—SALT ..	7,190	...	...	...	...	...	...
10.—OPIUM ..	952	...	300	300	...	...	— 300
11.—STAMPS ..	15,363	10,100	11,600	1,500	...	45,200	+ 33,600
12.—MINT ..	5,896	2,600	3,100	500	...	3,500	+ 400
13.—POST OFFICE ..	41,145	89,600	74,200	...	15,400	77,200	+ 3,000
14.—TELEGRAPH ..	83,899	119,000	122,900	3,900	...	76,000	— 46,900
15.—ADMINISTRATION ..	306,781	285,200	291,200	6,000	...	353,100	+ 61,900
16.—MINOR DEPARTMENTS ..	10,181	...	57,200	57,200	...	28,300	— 28,900
17.—LAW AND JUSTICE ..	6,369	...	3,400	3,400	...	3,400	...
18.—MARINE ..	197,395	244,600	206,800	...	37,800	223,400	+ 16,600
19.—ECCLESIASTICAL ..	300	...	1,300	1,300	...	900	— 400
20.—POLITICAL AGENCIES ..	48,658	55,000	43,700	...	11,300	41,500	— 2,200
21.—ALLOWANCES AND AS- SIGNMENTS UNDER TREA- TIES AND ENGAGEMENTS	19,336	19,300	19,300	...	...	19,300	...
22.—CIVIL, FURLOUGH AND ABSENTEE ALLOWANCES	178,029	188,000	153,000	...	35,000	162,000	+ 9,000
23.—SUPERANNUATION, RE- TIRED AND COMPASSION- ATE ALLOWANCES ..	844,159	833,000	870,000	37,000	...	842,000	— 23,000
25.—MISCELLANEOUS ..	24,186	115,700	201,100	85,400	...	29,000	— 172,100
MEDICAL SERVICES (trans- ferred) ..	6,804	...	6,800	6,800	...	6,800	...
TOTAL ..	4,239,762	4,431,000	4,542,900	111,900	...	4,358,900	— 184,000
ARMY ..	3,642,014	3,762,300	3,621,100	...	141,200	3,679,100	+ 58,000
PUBLIC WORKS, ORDINARY ..	97,118	43,500	99,600	56,100	...	58,000	— 46,600
	7,978,894	8,236,800	8,263,600	26,800	...	8,091,000	— 172,600
PUBLIC WORKS, EXTRAORDI- NARY ..	147,677	410,200	306,900	...	103,300	332,200	+ 525,300
TOTAL ..	8,126,571	8,647,000	8,570,500	...	76,500	8,923,200	+ 352,700

H. A. MANGLES.

Offg. Comptroller General.

R. B. CHAPMAN,

Secy. to the Govt. of India.

Receipts and Payments in England and India during the year 1871-72.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE	£	£	£		£	£	£
2.—ORDINARY INCOME	3,905,072	16,818,743	20,723,815	12.—ORDINARY EXPENDITURE	7,978,894	37,283,808	45,262,697
3.—RAILWAY TRAFFIC RECEIPTS	220,841	49,888,553	50,109,394	13.—GUARANTEED INTEREST ON RAILWAY CAPITAL	4,540,288	45,980	4,586,268
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE, &c.	5,562	6,689,981	6,695,543	14.—EXTRAORDINARY EXPENDITURE	147,077	1,480,797	1,627,874
5.—LOCAL REMITTANCES	.....	22,805,488	22,811,050	15.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO THE RAILWAY COMPANIES	.....	3,831,033	3,831,033
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	.....	18,736,769	18,736,769	16.—DEPOSITS REPAYED AND ADVANCES RECEIVABLE, &c.	8,434	28,104,195	28,112,629
7.—REMITTANCE ACCOUNT	99,801	1,155,460	1,255,261	17.—LOCAL REMITTANCES	.....	566,929	566,929
8.—ABYSSINIAN EXPEDITION	1,072	39,431	40,503	18.—INTER-PROVINCIAL AND DEPARTMENTAL TRANSACTIONS	.....	18,198,093	18,198,093
9.—BILLS OF EXCHANGE	10,310,339	.....	10,310,339	19.—REMITTANCE ACCOUNT	1,038,845	340,454	1,379,299
10.—RAILWAY CAPITAL	3,689,096	1,412,830	5,101,926	20.—ABYSSINIAN EXPEDITION	.....	49,144	49,144
11.—BORROWED	1,413,406	17,465,277	18,878,683	21.—BILLS OF EXCHANGE, INCLUDING SPECIE REMITTANCE	.....	9,560,924	9,560,924
				22.—RAILWAY CAPITAL	2,490,011	2,510,841	5,000,852
				23.—DEBT PAID	5,000	16,307,360	16,312,360
				24.—CLOSING BALANCE	2,831,092	21,997,715	24,828,807
TOTAL	19,045,189	135,276,018	154,321,207	TOTAL	19,045,189	135,276,018	154,321,207

Abstract of the above, showing how the Ways and Means of the year have been provided.

SURPLUS IN ORDINARY ACCOUNT, INCLUDING RAILWAY TRANSACTIONS	3,124,178	CASH BALANCE INCREASED	.....	4,694,092
INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	538,676	EXTRAORDINARY EXPENDITURE	.....	1,623,474
BILLS OF EXCHANGE	749,415	DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE	.....	801,579
RAILWAY CAPITAL RECEIPTS IN EXCESS OF EXPENDITURE	92,274	LOCAL REMITTANCES	.....	313,442
BORROWED	2,566,323	REMITTANCES	.....	124,638
		ABYSSINIAN EXPEDITION	.....	8,641
TOTAL	7,070,866	TOTAL	.....	7,070,866

FORT WILLIAM:

FINANCIAL DEPARTMENT,

The 28th March 1873.

G. FITZGERALD,

Offg. Deputy Comptroller General.

H. A. MANGLES,

Offg. Comptroller General.

R. B. CHAPMAN,

Secy. to the Govt. of India.

Estimated Receipts and Payments in England and India during the year 1872-73.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE	£	£	£		£	£	£
2.—ORDINARY INCOME	2,821,092	21,997,715	24,818,807	12.—ORDINARY EXPENDITURE	8,293,800	38,170,400	46,464,200
3.—RAILWAY TRAFFIC RECEIPTS	211,400	49,683,600	49,895,000	13.—GUARANTEED INTEREST ON RAILWAY CAPITAL	4,620,000	45,000	4,665,000
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE, &c. ....	.....	6,864,000	6,864,000	14.—EXTRAORDINARY EXPENDITURE	306,800	2,000,100	2,307,000
5.—LOCAL REMITTANCES	3,000	23,417,200	23,420,200	15.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO RAILWAY COMPANIES	...	4,316,000	4,316,000
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS .. ..	.....	294,800	294,800	16.—DEPOSITS REPAYED AND ADVANCES RECEIVABLE, &c.	...	23,133,215	23,133,215
7.—REMITTANCE ACCOUNT	165,000	20,615,500	20,615,500	17.—LOCAL REMITTANCES	3,000	269,300	269,300
8.—ARYSHIAN EXPEDITION	51,239	1,146,700	1,311,700	18.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	...	20,816,100	20,816,100
9.—BILLS OF EXCHANGE	14,342,129	5,000	14,342,129	19.—REMITTANCE ACCOUNT	1,031,600	196,300	1,228,900
10.—RAILWAY CAPITAL	1,105,172	1,937,000	3,042,172	20.—BILLS OF EXCHANGE	1,972,500	14,260,000	14,260,000
11.—BORROWED .. ..	.....	930,500	930,500	21.—RAILWAY CAPITAL	1,635,080	1,972,500	3,607,580
				22.—DEBT PAID	...	2,423,600	2,423,600
				23.—ARYSHIAN EXPEDITION	...	10,500	10,500
				24.—CLOSING BALANCE	2,898,852	19,300,000	22,198,852
TOTAL	19,699,032	126,902,015	145,601,047	TOTAL	18,699,032	126,902,015	145,601,047

Abstract of the above, showing how the Ways and Means of the year are estimated to be provided.

RECEIPTS.	England.	India.	TOTAL.	PAYMENTS.	England.	India.	TOTAL.
1.—OPENING BALANCE	£	£	£		£	£	£
2.—ORDINARY INCOME	2,821,092	21,997,715	24,818,807	12.—ORDINARY EXPENDITURE	8,293,800	38,170,400	46,464,200
3.—RAILWAY TRAFFIC RECEIPTS	211,400	49,683,600	49,895,000	13.—GUARANTEED INTEREST ON RAILWAY CAPITAL	4,620,000	45,000	4,665,000
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE, &c. ....	.....	6,864,000	6,864,000	14.—EXTRAORDINARY EXPENDITURE	306,800	2,000,100	2,307,000
5.—LOCAL REMITTANCES	3,000	23,417,200	23,420,200	15.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO RAILWAY COMPANIES	...	4,316,000	4,316,000
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS .. ..	.....	294,800	294,800	16.—DEPOSITS REPAYED AND ADVANCES RECEIVABLE, &c.	...	23,133,215	23,133,215
7.—REMITTANCE ACCOUNT	165,000	20,615,500	20,615,500	17.—LOCAL REMITTANCES	3,000	269,300	269,300
8.—ARYSHIAN EXPEDITION	51,239	1,146,700	1,311,700	18.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS	...	20,816,100	20,816,100
9.—BILLS OF EXCHANGE	14,342,129	5,000	14,342,129	19.—REMITTANCE ACCOUNT	1,031,600	196,300	1,228,900
10.—RAILWAY CAPITAL	1,105,172	1,937,000	3,042,172	20.—BILLS OF EXCHANGE	1,972,500	14,260,000	14,260,000
11.—BORROWED .. ..	.....	930,500	930,500	21.—RAILWAY CAPITAL	1,635,080	1,972,500	3,607,580
				22.—DEBT PAID	...	2,423,600	2,423,600
				23.—ARYSHIAN EXPEDITION	...	10,500	10,500
				24.—CLOSING BALANCE	2,898,852	19,300,000	22,198,852
TOTAL	19,699,032	126,902,015	145,601,047	TOTAL	18,699,032	126,902,015	145,601,047

SURPLUS IN ORDINARY ACCOUNT, INCLUDING RAILWAY TRANSACTIONS 1,354,000
 CASH BALANCE REDUCED 2,679,655
 DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE 283,995
 LOCAL REMITTANCES 36,500
 REMITTANCES 84,800
 ARYSHIAN EXPEDITION ADVANCES RECOVERED 45,739
 BILLS OF EXCHANGE 82,129
 TOTAL 4,666,108

FORT WILLIAM;
 FINANCIAL DEPARTMENT,
 The 28th March 1873,

G. FITZGERALD,
 Offy. Deputy Comptroller General.

H. A. MANGLES,
 Offy. Comptroller General.

R. B. CHAPMAN,
 Secy to the Govt. of India.

Estimated Receipts and Payments in England

RECEIPTS.	England.	India.	TOTAL.
	£	£	£
1.—OPENING BALANCE	2,838,852	19,302,000	22,138,852
2.—ORDINARY INCOME	147,200	48,138,800	48,286,000
3.—RAILWAY TRAFFIC RECEIPTS — ... ..	.....	7,145,500	7,145,500
4.—DEPOSITS REPAYABLE AND ADVANCES RECOVERABLE, &c.	3,000	20,809,000	20,812,000
5.—LOCAL REMITTANCES ... ..	.....	295,000	295,000
6.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANS- ACTIONS ... ..	.....	20,620,000	20,620,000
7.—REMITTANCE ACCOUNT	115,000	1,228,300	1,343,300
8.—ABYSSINIAN EXPEDITION	15,000	2,000	17,000
9.—BILLS OF EXCHANGE	13,500,000	.....	13,500,000
10.—RAILWAY CAPITAL	1,520,475	1,339,200	2,859,675
11.—BORROWED ... ..	.....	1,100,200	1,100,200
TOTAL	18,139,527	119,978,000	138,117,527

Abstract of the above, showing how the Ways and

CASH BALANCE REDUCED	5,074,284
SURPLUS IN ORDINARY ACCOUNT, INCLUDING RAILWAY TRANSACTIONS	220,000
LOCAL REMITTANCES	35,000
REMITTANCES	38,700
ABYSSINIAN EXPEDITION ADVANCES RECOVERED	15,000
RAILWAY CAPITAL RECEIPTS	87,216
BORROWED	268,300
TOTAL	5,738,500

FORT WILLIAM;
FINANCIAL DEPARTMENT,
The 28th March 1873.

}

G. FITZGERALD,
Offg. Deputy Comptroller General.

and India during the year 1873-74.

PAYMENTS.	England.	India.	TOTAL.
	£	£	£
12.—ORDINARY EXPENDITURE	8,081,000	38,185,000	46,276,000
13.—GUARANTEED INTEREST ON RAILWAY CAPITAL ...	4,652,000	38,000	4,690,000
14.—EXTRAORDINARY EXPENDITURE	832,200	3,045,800	3,878,000
15.—RAILWAY WORKING EXPENSES AND SURPLUS PROFITS PAID TO RAILWAY COMPANIES	...	4,245,500	4,245,500
16.—DEPOSITS REPAID AND ADVANCES RECOVERABLE, &c.	3,000	22,467,500	22,470,500
17.—LOCAL REMITTANCES... ..	...	280,000	280,000
18.—INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANS- ACTIONS	...	20,820,000	20,820,000
19.—REMITTANCE ACCOUNT	1,142,700	161,800	1,304,600
20.—BILLS OF EXCHANGE... ..	..	13,500,000	13,500,000
21.—RAILWAY CAPITAL	1,154,059	1,618,400	2,772,459
22.—DEBT PAID	...	833,900	833,900
23.—ABYSSINIAN EXPEDITION	...	2,000	2,000
24.—CLOSING BALANCE	1,264,568	14,800,000	17,064,568
TOTAL ...	18,139,527	119,978,000	138,117,527

Means of the year are estimated to be provided.

EXTRAORDINARY EXPENDITURE	3,878,000
DEPOSITS REPAID AND ADVANCES RECOVERABLE, &c. ..	1,658,500
INTER-PROVINCIAL AND INTER-DEPARTMENTAL TRANSACTIONS ..	200,000
TOTAL ...	5,736,500

H. A. MANGLES,
Offg. Comptroller General.

R. B. CHAPMAN,
Secy. to the Govt. of India.

A.

STATEMENT of Special Loans to

	Amount of Loans sanctioned.	Rate of Interest.	Date of Orders authorizing the Loans.
	Rs. A. P.		
PORT CANNING MUNICIPALITY (for improvement of Port).	4,50,000 0 0	Nil for 5 years.	Finl. Dept., Govt. of India, 10th March, 1868, No. 1251.
CALCUTTA MUNICIPALITY (for Water-supply).	52,00,000 0 0	at 4 per cent. a	Finl. Dept., Govt. of India, 28th Feb. 1867, No. 1171.
Ditto (for Market in Calcutta).	6,00,000 0 0	at 5 " "	Home Dept., No. 1093, dated 23rd February 1871, and Finl. Order No. 4111, dated 4th Octr. 1871.
CALCUTTA PORT FUND ...	17,65,000 0 0	at 4½ " "	Finl. Dept., Govt. of India, 30th April 1870, No. 200, and 7th July 1871, No. 1832.
CALCUTTA PORT TRUST ...	10,00,000 0 0	at 4½ " "	Act No. V of 1870, B. C. ...
MADRAS LOCAL FUNDS (for completion of East Coast Canal, at least Rs. 5,000 to be repaid half-yearly).	2,00,000 0 0	at 5 " "	Finl. Dept., Govt. of India, 6th July 1869, No. 1753.
MADRAS MUNICIPALITY (for Water-supply)	12,80,000 0 0	at 4 " a	Finl. Dept., Govt. of India, 27th Feb. 1870, No. 1219, and 8th July 1869, No. 1862.
OOTACAMUND MUNICIPALITY ...	20,000 0 0	at 5 " "	Madras Govt. Order of 11th August 1869, No. 1112, Public Dept.
BOMBAY MUNICIPALITY (for payment of existing debts, repayable by instalments in 10 years).	15,00,000 0 0	at 5 " "	Finl. Dept., Govt. of India, 31st March 1869, No. 1907.
BOMBAY MUNICIPALITY (for Vohar Water Works).	.....	at 4 per cent.	Bombay Acts XIII of 1863 and II of 1865, and Bombay Govt. Resolution No. 1389, dated 27th July 1865.
BOMBAY MUNICIPALITY (for the construction of the Reservoir at Toolsee).	4,00,000 0 0	at 4½ " "	Govt. of India, Finl. Dept., No. 1288, dated 21st Feb. 1872.
NEW 15 LAC LOAN OF 1872 TO BOMBAY MUNICIPALITY (for payment of existing debts, repayable by instalments in 20 years).	15,00,000 0 0	at 5 " "	Bombay Govt. Resolution No. 866, dated 21st Feb. 1872, General Dept., and Bombay Act II of 1872.
BOMBAY PORT TRUST FUND ...	.....	.....	.....
PUNDHURPOOR MUNICIPALITY (for Water-supply).	75,00,000 0 0	at 5 " "	Finl. Dept., Govt. of India, No. 1143, dated 26th Feb. 1870.
SHOLAPOOR MUNICIPALITY (for the relief of sufferers from famine).	10,000 0 0	at 4½ " "	Govt. of India, Finl. Dept., No. 3304, dated 30th Dec. 1871.
KURACHEE MUNICIPALITY (for Water-supply).	6,30,000 0 0	at 4 " a	Finl. Dept., Govt. of India, 25th March 1869, No. 1519.
CAWNPORE MUNICIPALITY ...	2,89,540 0 0	at 5 " "	Finl. Dept., Govt. of India, Order of 14th December 1869, No. 2959.
SIMLA MUNICIPALITY ...	.....	.....	.....
			TOTAL Rs. ...

a.—2 per cent. additional appro-

CALCUTTA:
COMPTROLLER GENERAL'S OFFICE,
The 28th March 1873.

Municipalities, &c., during 1871-72.

Balance from last year.			Amount advanced.			TOTAL.			Amount repaid.			Balance.			Amount of Interest received or credited to Revenue.			Balance of Interest unpaid.		
Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
2,25,000	0	0	.....			2,25,000	0	0	.....			2,25,000	0	0	.....					
52,00,000	0	0	.....			52,00,000	0	0	.....			52,00,000	0	0	2,08,000	0	0			
.....			3,00,000	0	0	3,00,000	0	0	.....			3,00,000	0	0	.....					
17,65,000	0	0	.....			17,65,000	0	0	.....			17,65,000	0	0	1,20,902	0	0			
6,63,574	9	7	38,274	13	4	7,00,849	6	11	.....			7,00,849	6	11	75,000	0	0			
44,981	10	7	.....			44,981	10	7	10,000	0	0	34,981	10	7	2,124	1	4			
4,60,000	0	0	5,75,000	0	0	10,35,000	0	0	.....			10,35,000	0	0	26,913	5	3			
18,165	9	3	.....			18,165	9	3	3,333	5	11	14,832	3	4	908	4	6			
13,10,789	14	5	.....			13,10,789	14	5	1,29,399	9	11	11,81,390	4	6	62,600	6	3	Nil.		
37,55,478	11	0	.....			37,55,478	11	0	1,15,139	0	5	36,40,339	10	7	1,49,310	16	9	Nil.		
.....																				
.....			15,00,000	0	0	15,00,000	0	0	.....			15,00,000	0	0	.....					
2,01,27,802	0	0	8,70,145	0	0	2,09,97,947	0	0	.....			2,09,97,947	0	0	.....					
.....			53,250	9	9	53,250	9	9	21,953	8	10	31,297	0	11	370	13	10	Nil.		
.....			10,000	0	0	10,000	0	0	.....			10,000	0	0	.....					
.....																				
1,00,000	0	0	.....			1,00,000	0	0	.....			1,00,000	0	0	.....					
.....			5,077	0	0	5,077	0	0	5,027	0	0	50	0	0	.....					
3,36,99,792	6	10	33,51,747	7	1	3,70,21,539	13	11	2,84,852	9	1	3,67,36,687	4	10	6,46,129	14	11			

Printed to form a Sinking Fund.

H. A. MANGLES,
Offy. Comptroller General.

SINKING FUNDS for redemption of Loan during 1871-72.

	BALANCE.		RECEIPTS.		TOTAL.		PAYMENTS.		BALANCE.	
	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.	Government Securities.	Cash.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
ALCUTTA MUNICIPALITY (for Water-supply)	2,36,900 0 0	32 10 6	1,04,100 0 0	1,19,517 9 0	3,41,000 0 0	1,19,550 6	.....	1,19,224 7 2	3,41,000 0 0	325 12 4
ADRAS MUNICIPALITY (for Water-supply)	2,000 0 0	41 5 7	13,300 0 0	13,604 10 7	15,300 0 0	13,646 0 2	.....	13,475 6 4	15,300 0 0	170 9 10

· CALCUTTA ;

COMPTROLLER GENERAL'S OFFICE,
The 23rd March 1873.

H. A. MANGLES,
Offg. Comptroller General.

Account of Money raised on Loan in 1871-72 for Reproductive Works, and of Extraordinary Expenditure.

	£	£	£	£	£	£
LOANS RAISED—						
ENGLAND—						
Proceeds of 4 per cent. Stock ...	1,413,406	...	3,149,225	EXTRAORDINARY EXPENDITURE—		
Less—Indian Debentures paid off	5,000	1,408,408		Irrigation Works.. { India ..	983,030	983,854
				.. { England ..	824	
INDIA—				State Railways .. { India ..	497,767	
Proceeds of 4 per cent. Stock ...	2,734,297			.. { England ..	146,853	644,620
Loan from the Maharajah Holkar for State Railway	200,000					
	2,934,297			LOANS—		1,623,474
DEDUCT—				To Calcutta Port Trust	3,827	
DEBT PAID—				Calcutta Municipality	36,000	83,827
5 per cent. Loan of 1856-57 ...	1,492,540			Madras Municipality	57,600	57,600
5 per cent. Public Works Loan of 1854-55...	43,560					
4½ per cent. Transfer Loan of 1872 ...	110,460			Bombay Municipality	150,000	
Debenture Loan of 1868-67 and 1867-68 ...	149,700			Bombay Port Trust Fund ..	87,015	
Other Loans ..	7,928			Punahurpoor Municipality	6,325	
	1,774,178	1,160,119	2,568,525	Sholapur Municipality ..	1,000	243,340
				Simla Municipality	..	608
EXTRAORDINARY RECEIPTS—Loans recovered—						
Port Canning Municipality ..	...			Balance carried to account for 1872-73	..	335,175
East Coast Canal ...	1,000	*22,500				1,063,649
Ootacamund Municipality ..	333	1,333				3,814,366
Bombay Municipality (Existing Debts) ...	12,940					5,778,015
Ditto (Vehar Water-Works) ..	11,514					
Ditto (Elphinstone Circle Debt)	*9,280					
Punahurpoor Municipality ..	2,195	35,929				
Simla Municipality ..	503	503	60,285			
			5,778,015			

* These amounts were repaid in 1869-70, but were not included in the account for that year.

CALCUTTA;

COMPTROLLER GENERAL'S OFFICE, }
The 28th March 1873.

H. A. MANGLES,

Offg. Comptroller General.

ESTIMATE.

Estimated Account of Money raised on Loan in 1872-73 for Reproductive Works, and of Extraordinary Expenditure.

	£	£	£	£	£	£	£
LOANS RAISED—							
INDIA—							
Loan from the Maharajah Holkar for State Railway...	110,000	110,000	3,814,386				
DEDUCT—							
DEBT PAID—							
5½ per cent. of 1856-60 ..	404,160						
5 per cent. of 1856-57 ..	950,960						
5 per cent. debenture of 1867-68 ..	233,560						
Other Loans ..	32,580	1,621,190					
Deduct excess of debt paid off ..	...	1,511,190					
EXTRAORDINARY RECEIPTS—Loans recovered—		2,503,176					
East Coast Canal ...	1,000						
Ootacamund Municipality ...	330						
Bombay Municipality (Existing Debts) ...	17,800	1,330					
Ditto (Vainar Water Works) ...	7,400						
Bombay Port Trust Fund ...	2,500						
Punahpur Municipality ...	5,800						
Sholapur Municipality ...	1,000						
		94,000	35,330				
			2,338,506				
EXTRAORDINARY EXPENDITURE—							
Irrigation Works... { India ...							
State Railways ... { India ...							
Loans—							
To Calcutta Port Trust ..							
Calcutta Municipality ..							
Madras Municipality ..							
Bombay Port Trust Fund ..							
Punahpur Municipality ..							
Umritsur Municipality ..							
Simla Municipality ..							
Saharunpur Municipality ..							
Deficit ..							

CALCUTTA;

COMPTROLLER GENERAL'S OFFICE,

The 28th March 1873.

H. A. MANGLES,

Offg. Comptroller General.

PROVINCIAL RECEIPTS AND EXPENDITURE.

	ACTUAL, 1871-72.						REGULAR ESTIMATE, 1872-73.						BUDGET ESTIMATE, 1873-74.					
	RECEIPTS.			CHARGES.			RECEIPTS.			CHARGES.			RECEIPTS.			CHARGES.		
	Opening Balance.	Re-ceipts.	Total.	Expen-diture.	Closing Balance.	Total.	Opening Balance.	Re-ceipts.	Total.	Expen-diture.	Closing Balance.	Total.	Opening Balance.	Re-ceipts.	Total.	Expen-diture.	Closing Balance.	Total.
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
GOVERNMENT OF INDIA ...	...	34,867	34,867	36,105	-1,238	34,867	-1,238	33,247	32,009	34,397	—	32,009	-2,388	42,761	4,373	43,911	-3,538	40,373
ODISH ...	9,399	234,717	244,116	236,100	8,016	244,116	8,016	277,490	285,506	315,860	—	285,506	-30,344	262,170	231,826	344,000	-112,174	231,826
CENTRAL PROVINCES ...	11,394	315,642	327,636	341,950	-14,314	327,636	-14,314	324,964	310,650	362,087	—	310,650	-51,437	331,561	280,127	365,430	-75,303	280,127
BRITISH BURMAH ...	...	320,711	320,711	293,189	27,522	320,711	27,522	349,430	376,952	345,112	—	376,952	31,840	303,120	334,963	344,163	-9,193	334,960
BENGAL ...	53,287	1,450,084	1,503,371	1,269,505	233,866	1,503,371	233,866	1,640,067	1,873,933	1,511,900	—	1,873,933	362,633	1,687,340	1,949,973	1,764,972	-186,001	1,949,973
N. W. PROVINCES ...	28,246	681,787	710,033	865,021	-154,988	710,033	-154,988	745,192	590,204	123,000	—	590,204	-542,796	737,232	194,466	1,219,420	-1,024,924	194,466
PUNJAB ...	23,521	613,993	637,514	619,076	21,438	637,514	21,438	623,444	644,892	682,510	—	644,892	-37,628	630,241	592,613	359,025	233,588	592,613
MADRAS ...	33,467	890,270	923,737	823,637	100,100	923,737	100,100	891,922	992,022	908,829	—	992,022	83,193	881,168	964,359	342,403	21,058	964,359
BOMBAY ...	40,086	971,862	1,011,948	972,290	39,658	1,011,948	39,658	1,137,973	1,177,631	1,098,096	—	1,177,631	79,535	1,082,014	1,161,549	1,123,797	37,752	1,161,549
TOTAL ...	200,000	5,513,933	5,713,933	5,453,873	260,060	5,713,933	260,060	6,023,729	6,233,789	6,391,181	—	6,233,789	-107,392	6,857,068	5,750,276	6,497,111	-746,885	5,750,276

LOCAL FUNDS.

	ACTUALS, 1871-72.						REGULAR ESTIMATE, 1872-73.						BUDGET ESTIMATE, 1873-74.					
	RECEIPTS.			CHARGES.			RECEIPTS.			CHARGES.			RECEIPTS.			CHARGES.		
	Opening Balance.	Re-ceipts.	Total.	Expen- diture.	Closing Balance.	Total.	Opening Balance.	Re-ceipts.	Total.	Expen- diture.	Closing Balance.	Total.	Opening Balance.	Re-ceipts.	Total.	Expen- diture.	Closing Balance.	Total.
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
GOVERNMENT OF INDIA ..	20,434	88,791	109,225	87,252	21,973	109,225	21,973	47,732	69,705	45,957	23,748	69,705	23,748	49,425	73,173	49,883	23,280	73,173
ODISH ..	115,580	168,443	284,023	140,297	143,726	284,023	143,726	136,552	280,278	64,150	216,128	280,278	216,128	136,555	352,683	63,000	289,683	352,683
CENTRAL PROVINCES ..	32,671	183,486	216,157	160,675	55,482	216,157	55,482	143,311	198,793	101,728	97,065	198,793	97,065	154,100	251,171	121,188	129,988	251,171
BRITISH BURMAH ..	106,389	95,468	201,857	121,369	80,488	201,857	80,488	163,362	242,850	145,662	97,188	242,850	97,188	122,044	219,232	55,205	103,967	219,232
BENGAL ..	225,321	356,842	582,163	362,128	220,035	582,163	220,035	288,000	508,035	294,300	213,735	508,035	213,735	474,404	688,229	815,228	73,901	688,229
N. W. PROVINCES ..	498,740	908,124	1,406,864	817,304	679,560	1,496,864	679,560	934,900	1,614,460	463,200	1,151,260	1,614,460	1,151,260	913,900	2,009,460	450,080	1,619,380	2,009,460
PUNJAB ..	162,027	510,482	672,509	387,323	285,186	672,509	285,186	361,093	646,279	294,187	352,092	646,279	352,092	360,619	712,611	878,033	34,578	712,611
MADRAS ..	324,853	1,258,129	1,582,981	1,339,689	243,292	1,582,981	243,292	982,931	1,226,223	865,511	380,712	1,226,223	380,712	933,565	1,264,207	663,397	300,970	1,264,207
BOMBAY ..	456,449	739,426	1,195,875	702,290	493,585	1,195,875	493,585	536,197	1,029,782	602,906	366,876	1,029,782	366,876	489,797	856,673	668,874	197,799	856,673
TOTAL ..	1,942,463	4,399,191	6,341,654	4,118,327	2,223,327	6,341,654	2,223,327	3,593,078	5,816,405	2,967,601	2,848,804	5,816,405	2,848,804	3,636,725	6,487,539	3,654,878	2,592,666	6,487,529

CAPUTTA:

COMPTROLLER GENERAL'S OFFICE,
The 28th March 1873.

H. A. MANGLES,

Offg. Comptroller General.

Net Charges on account of Services now Provincial.

	Actuals, 1871-72.	Budget Estimate, 1872-73.	Regular Estimate, 1872-73.	Increase.	Decrease.	Budget Estimate, 1873-74.	Budget compared with Regular
	£	£	£	£	£	£	£
JAILS	363,220	443,319	377,626	..	65,693	384,871	+ 7,245
REGISTRATION (Net Receipts)	48,971	37,086	51,893	14,807	..	44,081	- 7,312
POLICE	2,021,751	2,101,751	2,254,184	152,433	..	2,300,453	+ 46,269
EDUCATION	576,668	722,588	611,345	..	111,243	722,402	+ 111,057
MEDICAL SERVICES	304,830	355,019	331,299	..	23,720	407,454	+ 76,155
PRINTING	107,798	139,309	141,418	2,109	..	136,218	- 5,200
MISCELLANEOUS	22,655	106,143	138,551	32,408	..	285,224	+ 158,673
PUBLIC WORKS	1,495,573	2,157,515	1,700,629	..	456,886	1,958,185	+ 257,556
TOTAL	4,843,032	5,998,558	5,503,159	..	495,399	6,160,726	+ 657,567

H. A. MANGLES,
Offy. Comptroller General.

CALCUTTA:
COMPTROLLER GENERAL'S OFFICE,
The 28th March 1873.

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ABBREVIATIONS.

Allces.	<i>for</i>	Allowances.	Gov. Genl.	<i>for</i>	Governor General.
Allces., ref. & dr.	"	Allowances, refunds and drawbacks.	Govt.	"	Government.
Allces. under treaties.	"	Allowances under treaties and engagements.	Guar.	"	Guaranteed.
Bom.	"	Bombay.	Int.	"	Interest.
Cal.	"	Calcutta.	Med.	"	Medical.
Cal. & S. E.	"	Calcutta and South Eastern.	Mily.	"	Military.
Com.	"	Commission.	Mils.	"	Millions.
Commr.	"	Commissioner.	Miscells.	"	Miscellaneous.
Comm.	"	Committee.	N. W.	"	North-West.
Co.	"	Company.	N. W. Provs.	"	North-West Provinces.
Dept.	"	Department.	Ord.	"	Ordinary.
Deptl.	"	Departmental.	Provl.	"	Provincial.
E. B. R.	"	Eastern Bengal Railway.	Pub. Works.	"	Public Works.
E. I.	"	East India.	Reg. Est.	"	Regular Estimate.
E. I. R.	"	East Indian Railway.	Rev.	"	Revenue.
Elec. Tel.	"	Electric Telegraph.	Secy.	"	Secretary.
Etabt.	"	Establishment.	Stt.	"	Statement.
Est.	"	Estimate.	Sub.	"	Subordinate.
Expend.	"	Expenditure.	Superan. & Retr.	"	Superannuation and Retired.
Extr.	"	Extraordinary.	Supdt.	"	Superintendent.
Fin.	"	Financial.	Supply.	"	Supplementary.
G. I. P.	"	Great Indian Peninsula.	Tel.	"	Telegraph.
			Vil. Offrs.	"	Village Officers.



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